



# Foreign Relations of the United States, 1964–1968

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Volume XXVI

## Indonesia; Malaysia-Singapore; Philippines

*Editor* Edward C. Keefer

*General Editor* David S. Patterson

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# Preface

The *Foreign Relations of the United States* series presents the official documentary historical record of major foreign policy decisions and significant diplomatic activity of the United States Government. The Historian of the Department of State is responsible for the preparation of the *Foreign Relations* series. The staff of the Office of the Historian, under the direction of the General Editor of the *Foreign Relations* series, plans, researches, compiles, and edits the volumes in the series. Secretary of State Frank B. Kellogg first promulgated official regulations codifying specific standards for the selection and editing of documents for the series on March 26, 1925. These regulations, with minor modifications, guided the series through 1991.

A new statutory charter for the preparation of the series was established by Public Law 102-138, the Foreign Relations Authorization Act, Fiscal Years 1992 and 1993, which was signed by President George Bush on October 28, 1991. Section 198 of P.L. 102-138 added a new Title IV to the Department of State's Basic Authorities Act of 1956 (22 USC 4351, *et seq.*).

The statute requires that the *Foreign Relations* series be a thorough, accurate, and reliable record of major United States foreign policy decisions and significant United States diplomatic activity. The volumes of the series should include all records needed to provide comprehensive documentation of major foreign policy decisions and actions of the United States Government. The statute also confirms the editing principles established by Secretary Kellogg: the *Foreign Relations* series is guided by the principles of historical objectivity and accuracy; records should not be altered or deletions made without indicating in the published text that a deletion has been made; the published record should omit no facts that were of major importance in reaching a decision; and nothing should be omitted for the purposes of concealing a defect in policy. The statute also requires that the *Foreign Relations* series be published not more than 30 years after the events recorded.

## Structure and Scope of the *Foreign Relations* Series

This volume is part of the subseries of the *Foreign Relations* series that documents the most important issues in the foreign policy of the last five years of the administration of Lyndon B. Johnson. The subseries presents in 34 print volumes a documentary record of the major foreign policy decisions and actions of President Johnson's administration. This volume presents the documentary record of U.S. policy toward and relations with Indonesia, Malaysia-Singapore, and the Philippines. Other volumes in the 1964-1968 subseries with related material are Volumes I-VII, all on Vietnam; Volume XXVIII, Laos; and Volume XXVII, Mainland Southeast Asia; Regional Affairs.

*Focus of Research and Principles of Selection for Foreign Relations,  
1964–1968, Volume XXVI*

In preparing this volume of the *Foreign Relations* series the editor, in consultation with the General Editor, determined the particular issues and topics to be documented either in detail, in brief, or in summary. The editor of the volume focused on selecting documentation that illuminated responsibility for major foreign policy decisions in the U.S. Government, with primary emphasis on President Johnson and his key advisers. The result is a selection of documents which includes memoranda and records of discussion that set forth policy issues and options and show decisions or actions taken. The emphasis is on the development of U.S. policy and on major aspects and repercussions of its execution, rather than on the details of implementation.

The Department of State, the staff of the White House, as well as the Department of Defense and Central Intelligence Agency also played key roles in formulating and shaping U.S. policy, and their roles are also documented. Their advice and recommendations are found in telegrams from the Embassies, from the Military Advisory Groups, and in intelligence assessments. The dialogue between the Embassies and the Department of State comprises the core of this volume. Most of the finished intelligence included in this volume relates to Indonesia during the transition of power from Sukarno to Suharto and on the Philippines under President Marcos. Finally, the volume covers covert political action policy in general, especially in the Indonesia compilation.

Research and compilation of this volume was completed in 1997. The compilation on Indonesia is divided into four sections which define the focus of the coverage. The first, entitled, "Sukarno's Confrontation with Malaysia, January–November 1964," documents U.S. efforts to mediate and encourage a settlement of the dispute between Indonesia and the Federation of Malaysia over Indonesian claims to North Borneo and to convince Indonesia to desist from its policy of confrontation (*confrontasi*). Above all, the United States sought to prevent the sporadic low-level guerrilla war Indonesia was waging against Malaysia from escalating into more serious conflict. In addition, President Johnson and his advisers grappled with the related problem of whether to use U.S. aid to Indonesia to try to moderate Sukarno's campaign of *confrontasi*. The next section, "Sukarno's Confrontation With the United States, December 1964–September 1965," documents the deterioration of U.S.-Indonesia relations and the rise of the influence of the Communist Party of Indonesia (Partai Komus Indonesia (PKI)) within the Sukarno government. The third section, "Coups and Counter Reaction, October 1965–March 1966," is the heart of the compilation and documents in more detail the problems faced by the United States during a period of great transition in Indonesia. The final section, "The

United States and Suharto, April 1966–December 1968,” documents the return of U.S.-Indonesia relations to a more conventional state and the Johnson administration’s primary consideration of strengthening Indonesia economically.

The small compilation on Malaysia-Singapore is initially an account of the U.S. reaction to the separation of Malaysia and Singapore, which took the Johnson administration by surprise. President Johnson was careful to maintain good relations with both states, and he visited Kuala Lumpur in 1966. It was Singapore President Lee Kwan Yew, however, with whom Johnson identified most closely, and he (and Vice President Humphrey as well) developed a close personal relationship with President Lee. This special bond is reflected in the selected documentation.

The Philippines and the United States had a special relationship. The long-standing bilateral issues left over from World War II are covered only when they required a Presidential decision. The question of Philippines claims to the Malaysian territories of Sabah was a complicating factor for the United States, but it never reached a point of actual conflict. It is handled only as a secondary issue. The primary focus of the compilation is on a number of themes that are not exclusive to the Philippines, but which dominated the thinking of U.S. policymakers. The first is the fate of democracy, especially during the Presidential elections of November 1965. The related question of corruption and reform also dominated U.S. efforts in the Philippines. The Philippines contribution of an engineering battalion to the war effort in Vietnam is documented in detail because the policy of “more flags in Vietnam” became increasingly important to President Johnson. The selection of documentation also reveals an initial enthusiasm for the newly-elected President Ferdinand Marcos and the growing concern over his and the Philippines economic performance. A final theme is the realization that the Communist insurgency in the Philippines was on the rise and Marcos seemed unwilling or unable to combat it.

### *Editorial Methodology*

The documents are presented chronologically according to Washington time. Memoranda of conversation are placed according to the time and date of the conversation, rather than the date the memorandum was drafted.

Editorial treatment of the documents published in the *Foreign Relations* series follows Office style guidelines, supplemented by guidance from the General Editor and the chief technical editor. The source text is reproduced as exactly as possible, including marginalia or other notations, which are described in the footnotes. Texts are transcribed and printed according to accepted conventions for the publication of historical documents in the limitations of modern typography. A heading has been supplied by the editor for each document included in the

volume. Spelling, capitalization, and punctuation are retained as found in the source text, except that obvious typographical errors are silently corrected. Other mistakes and omissions in the source text are corrected by bracketed insertions: a correction is set in italic type; an addition in roman type. Words or phrases underlined in the source text are printed in italics. Abbreviations and contractions are preserved as found in the source text, and a list of abbreviations is included in the front matter of each volume.

Bracketed insertions are also used to indicate omitted text that deals with an unrelated subject (in roman type) or that remains classified after declassification review (in italic type). The amount of material not declassified has been noted by indicating the number of lines or pages of source text that were omitted. Entire documents withheld for declassification purposes have been accounted for and are listed by headings, source notes, and number of pages not declassified in their chronological place. All brackets that appear in the source text are so identified by footnotes.

The first footnote to each document indicates the document's source, original classification, distribution, and drafting information. This note also provides the background of important documents and policies and indicates whether the President or his major policy advisers read the document.

Editorial notes and additional annotation summarize pertinent material not printed in the volume, indicate the location of additional documentary sources, provide references to important related documents printed in other volumes, describe key events, and provide summaries of and citations to public statements that supplement and elucidate the printed documents. Information derived from memoirs and other first-hand accounts has been used when appropriate to supplement or explicate the official record.

The numbers in the index refer to document numbers rather than to page numbers.

#### *Advisory Committee on Historical Diplomatic Documentation*

The Advisory Committee on Historical Diplomatic Documentation, established under the *Foreign Relations* statute, reviews records, advises, and makes recommendations concerning the *Foreign Relations* series. The Advisory Committee monitors the overall compilation and editorial process of the series and advises on all aspects of the preparation and declassification of the series. Although the Advisory Committee does not attempt to review the contents of individual volumes in the series, it does monitor the overall process and makes recommendations on particular problems that come to its attention.

The Advisory Committee has not reviewed this volume.

*Declassification Review*

The Information Response Branch of the Office of IRM Programs and Services, Bureau of Administration, Department of State, conducted the declassification review of the documents published in this volume. The review, which began in 1996, was conducted in accordance with the standards set forth in Executive Order 12958 on Classified National Security Information and applicable laws. The principle guiding declassification review is to release all information, subject only to the current requirements of national security as embodied in law and regulation. Declassification decisions entailed the concurrence of the appropriate geographic and functional bureaus in the Department of State, other concerned agencies of the U.S. Government, and the appropriate foreign governments regarding specific documents of those governments.

The final declassification review of this volume, completed in 2000, resulted in the decision to withhold 2.5 percent of the material selected for publication; 7 documents were denied in full. The decision on key intelligence issues was appealed to a High-Level Panel consisting of senior representatives from the Department of State, the National Security Council, and the Central Intelligence Agency, established in 1997 to determine whether or not a covert activity could be acknowledged by the United States. The Panel arrived at a determination that resulted in the release of some but not all of the appealed documentation.

In the Indonesia compilation three documents were denied in full (180, 182, and 221) and three documents were released with major excisions (167, 175, and 181). These denials and excisions were made on the grounds that release of the information would reveal intelligence sources or methods, disclosure of which would "clearly and demonstrably" damage U.S. national security interests, as allowed in Executive Order 12958. Despite these denials and excisions of specific sources and methods as well as details of implementation, the broad outline of the limited U.S. covert policy in Indonesia is documented in the compilation. Two documents in the compilation on Malaysia-Singapore (269 and 286) were also denied to protect intelligence sources and methods. In the Philippines compilation, two documents were denied in full, again on the grounds of intelligence sources and methods. Despite the withheld information, the editor, the General Editor, and the Historian believe that the documentation and editorial notes printed in the volume comprise a thorough, accurate, and reliable record of major U.S. foreign policy decisions and significant diplomatic activity.

### *Acknowledgments*

The editor wishes to acknowledge the assistance of archivists at the Lyndon B. Johnson Library and National Archives and Record Administration, especially Regina Greenwell and Charlaine Burgess; historians at the History Staff of the Center for the Study of Intelligence, Central Intelligence Agency, especially Scott Koch; Sandra Meagher of the Declassification Branch, Department of Defense; and David Phelps of the Joint Staff, Joint Chiefs of Staff.

Edward C. Keefer, Chief of the Asia and Americas Division, did the research, compiled, selected, and annotated this volume under the supervision of then Editor in Chief, Glenn W. LaFantasie. Kerry E. Hite, David C. Geyer, and Donna Thompson coordinated the declassification review, and Susan C. Weetman coordinated the appeal to the interagency panel on acknowledging covert operations. Vicki E. Futscher and Rita M. Baker did the copy and technical editing. Juniee Oneida prepared the index.

**Marc J. Susser**

*The Historian*

*Bureau of Public Affairs*

April 2001

# Johnson Administration Volumes

Following is a list of the volumes in the *Foreign Relations* series for the administration of President Lyndon B. Johnson. The titles of individual volumes may change. The year of publication is in parentheses after the title.

- I Vietnam, 1964 (1992)
- II Vietnam, January–June 1965 (1996)
- III Vietnam, July–December 1965 (1996)
- IV Vietnam, 1966 (1998)
- V Vietnam, 1967
- VI Vietnam, 1968
- VII Vietnam, 1968
- VIII International Monetary and Trade Policy (1998)
- IX International Development and Economic Defense Policy; Commodities (1997)
- X National Security Policy
- XI Arms Control and Disarmament (1997)
- XII Western Europe (2001)
- XIII Western Europe Region (1995)
- XIV Soviet Union (2001)
- XV Berlin; Germany (1999)
- XVI Cyprus; Greece; Turkey
- XVII Eastern Europe; Austria; Finland (1996)
- XVIII Arab-Israeli Dispute, 1964–1967 (2000)
- XIX Six-Day War
- XX Arab-Israeli Dispute, 1967–1968
- XXI Near East Region; Arabian Peninsula (2000)
- XXII Iran (1999)
- XXIII Congo
- XXIV Africa (1999)
- XXV South Asia (2000)
- XXVI Indonesia; Malaysia-Singapore; Philippines (2001)
- XXVII Mainland Southeast Asia; Regional Affairs (2000)
- XXVIII Laos (1998)
- XXIX Part 1, Korea (2000); Part 2, Japan
- XXX China (1998)
- XXXI Central and South America; Mexico
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- XXXIII Organization and Management of Foreign Policy; United Nations
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# Sources

## *Sources for the Foreign Relations Series*

The *Foreign Relations* statute requires that the published record in the *Foreign Relations* series include all records needed to provide comprehensive documentation on major foreign policy decisions and actions of the U.S. Government. It further requires that government agencies, departments, and other entities of the U.S. Government cooperate with the Department of State Historian by providing full access to records pertinent to foreign policy decisions and actions and by providing copies of selected records. This access is further defined in formal agreements concluded between the Historian and the various relevant agencies. The editors believe that in terms of access this volume was prepared in accordance with the standards and mandates of this statute and the implementing agreements.

The editor had complete access to all the retired records and papers of the Department of State: the central files of the Department; the special decentralized files ("lot files") of the Department at the bureau, office, and division levels; the files of the Department's Executive Secretariat, which contain the records of international conferences and high-level official visits, correspondence with foreign leaders by the President and Secretary of State, and memoranda of conversations between the President and Secretary of State and foreign officials; the files of overseas diplomatic posts; and the sensitive intelligence files of the Bureau of Intelligence and Research. All the Department's indexed central files for these years have been permanently transferred to the National Archives and Records Administration (Archives II) at College Park, Maryland. Most of the Department's decentralized office (or lot) files covering this period, which the National Archives deems worthy of permanent retention, have also been transferred from the Department's custody to Archives II.

The editors of the *Foreign Relations* series have had full access to the papers of President Johnson and other White House foreign policy records. Presidential papers maintained and preserved at the Presidential libraries include some of the most significant foreign affairs-related documentation from the Department of State and other federal agencies including the National Security Council, the Central Intelligence Agency, the Department of Defense, and the Joint Chiefs of Staff.

Department of State historians also have full access to records of the Department of Defense, particularly the records of the Joint Chiefs of Staff and the Secretaries of Defense and their major assistants.

Since 1991, the Central Intelligence Agency has provided expanding access to Department of State historians to high-level intelligence documents from those records in the custody of that Agency. This access is arranged and facilitated by the History Staff of the Center for the

Study of Intelligence, Central Intelligence Agency, pursuant to a May 1992 memorandum of understanding. The Department of State and CIA historians work together to identify the key portions of the Agency's intelligence records that had an impact on U.S. foreign policy.

All of this documentation has been made available for use in the *Foreign Relations* series thanks to the consent of these agencies, the assistance of their staffs, and especially the cooperation and support of the National Archives and Records Administration.

*Sources for Foreign Relations, 1964–1968, Volume XXVI*

While different files from specific sources proved useful for the compilations in this volume, some general observations can be made. For all compilations, the subject-numeric Department of State Central files were most important single source, followed closely by records from the Johnson Library. Of the Department of State Central Files, the primary file for the U.S. concern about Indonesian confrontation against Malaysia is POL 32-1 INDON-MALAYSIA. An important file, POL INDON-US (and its variant POL 1 INDON-US), is useful for the full range of the U.S.-Indonesian relationship. During the period of transition from Sukarno to Suharto, from late October 1965 to March 1966, POL 23-9 is an important file. The Department of State material on Malaysia and Singapore comes from a number of files, but POL 7 MALAYSIA (the visits files) is the most cited. The best overall Central file for the Philippines is POL US-PHIL (and its variant POL 1 US-PHIL). Documentation on the Philippines' contribution to the war effort in Vietnam is in POL 27-3 VIET S, but many documents are misfiled in the far larger general file on the Vietnam war, POL 27 VIET S. These are only the most widely cited files from the Department of State. The list at the end of this note includes all other Department of State files cited in the volume

The Johnson Library contains the single best set of materials relating to Presidential and White House interest in the area, especially the Country Files in the National Security File: Indonesia, Malaysia, Singapore, and the Philippines. Robert Komer was the White House staffer most concerned with the area and his files in the National Security File are an important collection. The Memos to the President file in the National Security File is also of value, especially for the Philippines. Documentation on President Johnson's interest in "More Flags in Vietnam" is in a subsection of the Vietnam Country File (5 (D) 9, Allied Troop Commitments and Other Aid) in the National Security File. George Ball's telephone conversation files, a separate private collection at the Johnson Library, reveal much about U.S. confusion during and just after the Gestapu coup in Indonesia. The list at the end of this note includes these and all other Johnson Library files cited in the volume.

Because of the strong Department of Defense interest and presence in the Philippines and Indonesia, the records of the Secretary of Defense (various OSD files) and the records of the Assistant Secretary of Defense for International Security Affairs (various OASD/ISA files) were particularly useful. The compilation on Indonesia contains the most intelligence-related documentation because of the challenge that the turmoil in Indonesia presented to intelligence analysts and because of the limited covert operations there. Intelligence-related material in this volume comes from the files of the Central Intelligence Agency, including the Deputy Directorate for Operations, the Directorate for Intelligence, and the Director's files; the unretired historical files of the Bureau of Intelligence and Research (INR/IL); the retired INR finished intelligence files for East Asia and the Pacific; the 5412 and 303 Committee records at the National Security Council; and the records at the Johnson Library.

Department of State historians had full access to the audiotapes of President Johnson's telephone conversations, which are held in the Johnson Library. Tapes constitute only a small portion of the documents, but they are a good indication of President Johnson concerns and interests. The transcripts or extracts of transcripts prepared by the editor are not a substitute for listening to the tapes, where nuances of voice and inflection can be discerned. The tapes provide unique insights into President Johnson's thinking and personal relations with his advisers. The Johnson Library is now in the process of releasing the entire collection of tapes.

All sources cited in this volume are identified in the list below.

## Unpublished Sources

### Department of State

Bundy Files: Lot 85 D 240

Files of Assistant Secretary of State William Bundy, 1963–1969.

EAP/INR Files: Lot 90 D 165

National Intelligence Estimates, Special Intelligence Estimates, and related memoranda as retired by the East Asia and Pacific Division of INR, 1960–1986.

EA/VN Files: Lot 75 D 303

Record of free world assistance to South Vietnam, 1963–1971.

INR/IL Historical Files

Files of the Bureau of Intelligence and Research relating to intelligence matters including records of the 5412 Special Group and 303 Committee.

**National Archives and Records Administration, College Park, Maryland**

**Record Group 59, General Records of the Department of State**

**Subject-Numeric Indexed Central Files**

POL INDON, general policy and background to Indonesia  
POL 1 INDON, general policy and background to Indonesia  
POL 2 INDON, general reports of Indonesia  
POL 2-1 INDON, Joint Weekas on Indonesia  
POL 2-3 INDON, politico-economic reports on Indonesia  
POL 7 INDON, visits to Indonesia and meetings with Indonesians  
POL 12 INDON, Indonesian political parties  
POL 15 INDON, Indonesia government  
POL 15-1 INDON, Indonesian Head of State  
POL 23-8 INDON, demonstrations, riots, and protests in Indonesia  
POL 23-9 INDON, rebellions and coups in Indonesia  
POL 27 INDON, Indonesia military operations  
POL 32-9 INDON, rebellions and coups in Indonesia  
POL INDON-MALAYSIA, Indonesia-Malaysia relations  
POL 32-1 INDON-MALAYSIA, territorial disputes between Indonesia and Malaysia  
POL INDON-PHIL, Indonesia-Philippines relations  
POL INDON-UK, general Indonesian-British relations  
POL INDON-US, U.S.-Indonesian relations  
POL I INDO-US, general policy, U.S.-Indonesia relations  
POL 17 INDON-US, diplomatic and consular representation between Indonesia and the United States  
POL ASIA SE-INDON, Indonesia relations within Southeast Asia  
POL 1 MALAYSIA, general policy and background to Malaysia  
POL 7 MALAYSIA, visits to and meetings with Malaysians  
POL 15-MALAYSIA, head of state, executive branch Malaysia  
POL 16 MALAYSIA, independence and recognition of Malaysia (Singapore)  
POL 18 MALAYSIA, provincial and state governments in Malaysia  
POL 23-7 MALAYSIA, infiltration, subversion, and sabotage in Malaysia  
POL MALAYSIA-SINGAPORE, Malaysian-Singapore relations  
POL 32-1 MALAYSIA-PHIL, territorial disputes between Malaysia and the Philippines  
POL 7 PHIL, meetings and visits with Philippines officials  
POL 14 PHIL, elections in the Philippines  
POL 15-1 PHIL, head of state and executive branch of the Philippines  
POL PHIL-US, general policy, U.S.-Philippines relations  
POL 1 PHIL-US, general policy, U.S.-Philippines relations  
POL 17-1 PHIL-US, Philippine diplomatic representation in the United States, acceptability and accreditation  
POL 23-7 PHIL, infiltration, subversion, and sabotage in the Philippines  
POL PHIL-MALAYSIA, general Philippines-Malaysian relations  
POL 33-4 PHIL-US, U.S.-Philippines differences over territorial waters  
POL 2 SINGAPORE, general reports on Singapore  
POL 7 SINGAPORE, visits and meetings with Singapore officials  
POL 16 SINGAPORE, Independence and recognition of Singapore  
POL 17-4 SINGAPORE, ceremonial and social affairs in Singapore  
POL SINGAPORE-US, U.S.-Singapore relations  
POL 1 US, general background, U.S. foreign policy  
POL 3 MAPHILINDO, Malaysia, Indonesia, Philippines negotiations  
POL SEATO 3, SEATO organization  
POL 7 US/Bunker, travel and visits of Ambassador Bunker

POL 7 US/Forrestal, travel and visits of NSC staff member Forrestal  
 POL & US/HUMPHREY, travel and visits of Vice President Humphrey  
 POL 7 US/Kennedy, travel and visits of Robert Kennedy  
 POL 27 VIET S, military operations in Vietnam  
 POL 27-2 VIET S, use of foreign country troops in South Vietnam  
 AID 1 INDON, general aid policy for Indonesia  
 AID (JAPAN) INDON, general Japanese assistance to Indonesia  
 AID (US) INDON, general U.S. assistance to Indonesia  
 AID (US) 1 INDON, general policy on U.S. assistance to Indonesia  
 AID (US) 8 INDON, U.S. grants and technical assistance to Indonesia  
 AID (US) 15-1 INDON, policy plans and coordination of PL-480 aid to Indonesia  
 AID (US) 15-6 INDON, U.S. surplus commodities to Indonesia  
 AID (US) 1 PHIL, general U.S. aid policy to the Philippines  
 DEF 6 INDON, Indonesia military  
 DEF 19-8 INDON, military assistant to Indonesia, equipment and sales  
 DEF 21 INDON, Indonesian military communications systems  
 DEF US-INDON, U.S.-Indonesian defense policy  
 DEF 19 US-INDON, U.S. military assistance to Indonesia  
 DEF 19-8 US-INDON, U.S. military assistance for Indonesia, equipment and sales  
 DEF 12-5 MALAYSIA, procure and sale of armaments  
 DEF 6-5 PHIL, irregular, non-conventional Philippine forces  
 DEF 9 PHIL, Philippines military personnel  
 DEF 15 PHIL-US, U.S. base and installations in the Philippines  
 DEF 15-3 PHIL-US, U.S. status of forces agreements in the Philippines  
 DEF 15-4 PHIL-US, U.S.-Philippines base agreement  
 DEF 19-8 PHIL-US, U.S. military assistance to the Philippines, equipment  
 E-INDON, general economic policy for Indonesia  
 E 1 INDON, general economic policy for Indonesia  
 E-8 INDON, general economic conditions in Indonesia  
 EDX-31 INDON, educational and cultural exchange with Indonesia, grants and contracts  
 FN 14 INDON, Indonesia's public debt  
 INCO 15-2, nationalization and takeovers of U.S. businesses  
 INCO RICE 17 INDON-THAI, Indonesia purchase of Thai rice (with US credits)  
 ORG 3-2, meetings and conferences of chiefs of mission and principal officer of embassies  
 ORG 7 JUS, foreign travel and visits of the Attorney General and other Justice Department officials  
 PER HOWARD, JONES P., personnel administration of Ambassador Jones  
 PER 4-1 DJAKARTA, reduction in force of Embassy Djakarta  
 PS 7-1 US-INDON/LOVESTRAND, protective services, assistance to missionary Harold L.B. Lovestrand

### Lot Files

#### Ball Files: Lot 72 D 272

Personal and official correspondence of Under Secretary of State George Ball, 1961-1967.

#### EA/Indonesia Files: Lot 68 D 467

Economic and political files for Indonesian Affairs of the Bureau of East Asian and Pacific Affairs for 1965.

#### EA/Indonesia Files: Lot 70 D 3

Indonesia files of the Bureau of East Asian and Pacific Affairs for 1966.



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### S/S Cabinet Files: Lot 68 D 350

Files of the Executive Secretariat of the Department of State relating to Cabinet meetings, 1963–1965.

### S/S Conference Files: Lot 66 D 110

Chronological files of foreign visitors to the United States and international conferences attended by the President and Secretary of State, 1961–1964.

### S/S–Visit Files

Lot 67 D 587: Chronological files of foreign visitors to the United States, October 1966–May 10, 1967.

### S/S–Conference Files: Lot 68 D 453

Chronological files of conferences and meetings attended by the President, Vice President, Secretary of State, Under Secretary of State, and Ambassador at Large Harri-  
man, May 1967–January 1968.

### S/S–White House and Agency File: Lot 70 D 217

Records of memoranda and letters sent by Secretary and Under Secretary of State to the White House and other Agencies 1963–1966.

### S/S NSAM Files: Lot 72 D 316

The Department of State's files relating to National Security Action Memoranda (NSAM's) as maintained by the Executive Secretariat.

### **Record Group 263, Records of the Central Intelligence Agency**

*Studies in Intelligence*

### **Central Intelligence Agency, Langley, Virginia**

#### DCI/McCone Files: Job 80–B01285A

Files of the Director of Central Intelligence, John McCone, 1961–1965

#### DDO Files: Job 78–00061R

Files of the Far Eastern of the Directorate of Plans

#### DDO Files: Job 78–00597R

Files of the Far Eastern Division of the Directorate of Plans

### **Department of Defense, Washington, D.C.**

Official Records of the Joint Chiefs of Staff

Official Files 9150 (1 Oct 1964), files for Asia (Southeast)

Official Files, 9155.3 (22 Jan 1965), files for Vietnam

### **Johnson Library, Austin, Texas**

#### **Papers of Lyndon B. Johnson**

##### National Security File

Country File, Indonesia, Malaysia, Philippines, Singapore, Vietnam (SEA Development Program and 5 D(9), Allied Troops Commitments and Other Aid)

Head of State Correspondence

International Meetings and Travel

Name File

National Security Action Memorandum

National Security Council Meetings

Special Head of State Correspondence

Files of McGeorge Bundy

Files of Robert W. Komer

Files of Walt W. Rostow

Files of Bromley K. Smith

#### Special Files

President's Daily Diary

Recordings and Transcripts of Telephone Conversations and Meetings

Meeting Notes File

Memos to the President

#### **Other Personal Papers**

Dean Rusk Papers, Rusk Appointment Book

Cabinet Papers, Cabinet Meetings

George W. Ball Papers, Telephone Conversations

Tom Johnson's Notes of Meetings

#### **National Security Council**

Special Group/303 Committee Files

Minutes of meetings and related papers of the Special Group, the 303 Committee, and the 40 Committee

#### **Washington Federal Records Center, Suitland, Maryland**

**Record Group 330, Records of the Office of the Secretary of Defense, Deputy Secretary of Defense, and Assistant Secretaries of Defense**

OASD/ISA Files: FRC 68 A 306

Decimal Files of Office of the Assistant Secretary of Defense for International Security Affairs for 1964.

OSD Files: FRC 69 A 7425

Decimal Files of the Office of the Secretary of Defense for 1964.

OASD/ISA Files: FRC 70 A 3717

Decimal files of the Assistant Secretary of Defense for International Security Affairs for 1965.

OASD/ISA Files: FRC 70 A 5127

Decimal Files of the Assistant Secretary of Defense for International Security Affairs for 1965.

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Decimal files of the Assistant Secretary of Defense for International Security Affairs for 1966.

Office of the Secretary of Defense Files: FRC 70 A 4443

Decimal files of the Secretary of Defense for 1966.

Secretary of Defense Files: FRC 72 D 2468

Decimal files of the Secretary of Defense for 1967.

### **Record Group 84, Records of U.S. Embassies and Posts**

Djakarta Embassy Files: FRC 69 A 6507

Classified and unclassified central subject files for 1965–1966 (originally Lot 69 F 42).

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# Abbreviations and Terms

**AA**, Afro-Asian  
**AACC**, Afro-Asian Conciliation Commission  
**AAO**, Army Attaché Office  
**ADB**, Asian Development Bank  
**AEC**, Atomic Energy Commission  
**AF**, Air Force  
**AFP**, Armed Forces of the Philippines  
**AFS**, American Friends Service  
**AG**, Attorney General  
**AID**, Agency for International Development  
**AIDTO**, series indicator for telegrams from AID  
**ALUSNA**, American Legation, U.S. Naval Attaché  
**AN**, Aviation Negotiations Division, Bureau of Economic Affairs, Department of State  
**ANSOR**, youth affiliate of the NU  
**ANZUS**, Australia, New Zealand, United States  
**AP**, Associated Press  
**APO**, American Post Office  
**ASA**, Association for Southeast Asia  
**ASEAN**, Association of Southeast Asian Nations  
**ASPAC**, Associated States of the Pacific

**BCT**, battalion combat team  
**BNA**, Office of British Commonwealth and Northern European Affairs  
**BPI**, Indonesian Intelligence Organization headed by Subandrio

**CAB**, Clark Air Base (Philippines)  
**CASP**, Country Analysis and Strategy Paper  
**CCC**, Commodity Credit Corporation  
**CCO**, Corps Commando (Indonesian Navy amphibian regiment) also KKO  
**CHICOM**, Chinese Communists  
**CHJUSMAGPHIL**, Chief, Military Advisory Group, Philippines  
**CIA**, Central Intelligence Agency  
**CIAP**, Comité Interamericana de la Alianza para el Progreso (Inter-American Alliance for Progress Committee)  
**CINCPAC**, Commander-in-Chief, Pacific  
**CINCPACREPPHIL**, Command in Chief, Pacific's representative in the Philippines  
**COMSAT**, Communications Satellite  
**CONEFO**, Indonesian (Sukarno) acronym for Conference of Newly Emerging Forces  
**CONUS** continental United States  
**CRS**, Catholic Relief Services  
**CW**, continuous wave (radio communications)

**DCI**, Director of Central Intelligence  
**DCM**, Deputy Chief of Mission  
**DefAtt**, Defense Attaché  
**Depcirtel**, Department of State circular telegram  
**Deptel**, Department of State outgoing telegram  
**DFA**, Defense Forces Agreement  
**DL**, development loan  
**DLG**, Defense Liaison Group

## XXII Abbreviations

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**DOD**, Department of Defense

**DTG**, date time group

**E**, Bureau of Economic Affairs

**EA**, Bureau of East Asian and Pacific Affairs

**EA/IND**, Office of Indonesian Affairs, Bureau of East Asian and Pacific Affairs

**EA/MS**, Office of Malaysia and Singapore Affairs, Bureau of East Asian and Pacific Affairs

**EA/PHIL (EA/PHL)**, Office of Philippines Affairs, Bureau of East Asian and Pacific Affairs, Department of State

**EA/RA**, Office of Regional Affairs, Bureau of East Asian and Pacific Affairs, Department of State

**EA/TB**, Office of Thailand and Burma Affairs, Bureau of East Asian and Pacific Affairs, Department of State

**ECAFE**, Economic Commission on Asia and the Far East

**ECB**, Engineer Construction Battalion

**Embtel**, Embassy telegram

**EUR**, Bureau of European Affairs, Department of State

**Exdis**, Exclusive distribution

**EX-IM**, Export-Import Bank

**FAM**, Foreign Affairs Manual

**FBI**, Federal Bureau of Investigation

**FBIS**, Foreign Broadcast Information Service

**FE**, Far East; Bureau of Far Eastern Affairs, Department of State

**FELG**, Far East Liaison Group

**FER**, Far East Region

**FY**, fiscal year

**FYI**, for your information

**Gestapu**, Gerakan September Tigahpuluh (30th of September Movement)

**GMT**, Greenwich mean time

**GNP**, gross national product

**GOA**, Government of Australia

**GOI**, Government of Indonesia

**GOJ**, Government of Japan

**GOM**, Government of Malaysia

**GOP**, Government of the Philippines

**GSA**, General Services Administration

**H**, Bureau of Congressional Relations, Department of State

**HK**, Hong Kong

**hq**, headquarters

**HMG**, Her Majesty's Government

**H.R.**, House Resolution

**Huks**, Hukbong Magpapalaya Sa Banyan (paramilitary arm of Philippines Communist Party)

**IBRD**, International Bank for Reconstruction and Development (World Bank)

**ICJ**, International Court of Justice

**IGG**, Inter-Governmental Group  
**IGGI**, Inter-Government Group on Indonesia  
**IM**, intelligence memorandum  
**IMF**, International Monetary Fund  
**INR**, Bureau of Intelligence and Research  
**IO**, Bureau of International Organizations  
**IP-KI (IPKI)**, Association of Supporters of Indonesian Independence  
**ISA**, International Security Affairs

**JAC**, Joint Action Command  
**JCS**, Joint Chiefs of Staff  
**JCSM**, Joint Chiefs of Staff memorandum

**Kap-Gestapu**, anti-30th of September Movement  
**KL**, Kuala Lumpur  
**KOGAM**, Indonesian military organization  
**KOTI**, Komando Operasi Tertinggi (Indonesian Supreme Operational Command)

**L**, Legal Adviser of the Department of State  
**Limdis**, limited distribution  
**LP**, Liberal Party (Philippines)

**M**, Under Secretary of State for Political Affairs  
**MAP**, Military Assistance Program  
**Maphilindo**, Malaysia, Philippines, Indonesia  
**Masjumi**, Majelis Syoro Muslimin Indonesia (Council of Indonesian Muslim Associations)  
**MCA**, Malaysian Chinese Association  
**MILTAG**, military advisory group  
**MIT**, Massachusetts Institute of Technology  
**MP**, member of parliament  
**MPRS**, Majelis Permusyawaratan Rakyat (People's Consultative Assembly of Indonesia)  
**MS**, Office of Malaysia and Singapore Affairs, Bureau of East Asian and Pacific Affairs, Department of State  
**MYSP**, multi-year strategy paper

**NASA**, National Aeronautics and Space Administration  
**NASAKOM**, Indonesian (Sukarno) acronym for nationalism, religion, and communism  
**NATUS**, series indicator for U.S. telegrams to the North Atlantic Treaty Organization  
**NEFO**, Indonesian (Sukarno) acronym for new emerging forces  
**NEKOLIM**, Indonesian (Sukarno) acronym for neo-colonialism-colonialism-imperialism  
**NIE**, National Intelligence Estimate  
**NLF SVN**, National Liberation Front, South Vietnam  
**Noforn**, no foreign distribution  
**Notal**, not to all addresses  
**NP**, Nacionalista (National) Party (Philippines)  
**NSA**, National Security Agency  
**NSAM**, National Security Action Memorandum  
**NSC**, National Security Council

## XXIV Abbreviations

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**NU**, Nahdatul Ulama (Moslem Scholars' Party, Indonesia)

**NZ**, New Zealand

**OASD**, Office of the Assistant Secretary of Defense

**OCI**, Office of Current Intelligence

**OR**, Office of International Resources, Bureau of Economic Affairs

**PAL**, Philippines Air Lines

**PAP**, People's Action Party (of Malaysia)

**PBM**, Presidential briefing memorandum

**PC**, Peace Corps; Philippines Constabulary

**PCVS**, Peace Corps volunteers

**PD**, Presidential determination

**Pemuda Pantjasila**, Youth of Five Pillars (youth affiliate of the Association of the Supporters of Indonesia Independence)

**PHILCAG**, Philippines Civil Action Group (in South Vietnam)

**PKI**, Partai Komunis Indonesia (Indonesian Communist Party)

**PKP**, Philippines Communist Party

**PL**, Public Law

**PM**, prime minister

**PMIP**, People's Malay Independence Party

**PNI**, Partai Nasional Indonesia (Indonesian National Party)

**POL**, petroleum, oil, and lubricants

**POLAD**, political adviser

**PPP**, Peoples' Progressive Party (Philippines)

**PSI**, Partai Sosialis Indonesia (Indonesian Socialist Party)

**RBP**, Pemuda Rakjat (Communist Youth Organization, Indonesia)

**reftel**, reference telegram

**RPKAD**, paratroop commando unit of the Indonesian Army

**RR**, Office of Research and Reports (CIA)

**R&R**, rest and relaxation

**RSO**, regional security officer

**RTG**, Royal Thai Government

**SC**, Security Council (of the United Nations)

**SEA**, Southeast Asia

**SEATO**, Southeast Treaty Organization

**SNIE**, Special National Intelligence Estimate

**SPA**, Office of Southwest Pacific Affairs, Bureau of East Asian and Pacific Affairs, Department of State

**SVN**, South Vietnam

**TF**, task force

**TOUSI**, series indicator for USIS telegrams to the U.S. Information Agency

**UAR**, United Arab Republic

**UDP**, United Democratic Party (of Malaysia)

**UK**, United Kingdom

**UMNO**, United Malay National Organization

**UN**, United Nations

**UNP**, Office of United Nation Political Affairs, Bureau of International Organizations Affairs

**UNSC**, United Nations Security Council

**USDA**, United States Department of Agriculture

**USG**, United States Government

**USIA**, United States Information Agency

**USIS**, United States Information Service

**USITO**, series indicator for USIS telegrams from the missions

**USUN**, United States Mission at the United Nations

**VIPTO**, series indicator for telegrams from Vice President Humphrey

**VN**, Vietnam

**VOA**, Voice of America

**VP**, Vice President

**WMO**, World Meteorological Organization





# Persons

- Aidit, Dipa Nusantara**, Head of the Communist Party of Indonesia until October 1965
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- Ballantyne, Robert J.**, Officer-in-charge of Philippine Affairs, Office of Southwest Pacific Affairs, Department of State, until August 1965
- Barnett, Robert W.**, Deputy Assistant Secretary of State for East Asian and Pacific Economic Affairs
- Barwick, Sir Garfield E. J.**, Australian Minister of External Affairs until April 24, 1964
- Beale, Sir Howard**, Australian Ambassador to the United States until May 3, 1964
- Bell, David E.**, Administrator of the Agency for International Development until June 1966
- Bell, James D.**, Ambassador to Malaysia, after March 4, 1964
- Berger, Samuel D.**, Deputy Assistant Secretary of State for Far Eastern (later East Asian and Pacific) Affairs, July 1965–January 1968
- Black, Eugene R.**, Special Adviser to the President on Southeast Asia after April 9, 1965
- Blair, William McC., Jr.**, Ambassador to the Philippines, June 8, 1964–October 21, 1967
- Blouin, F.J., Rear Admiral**, USN, Director, Far East Region, Office of the Assistant Secretary of Defense (International Security Affairs)
- Bohlen, Charles E.**, Deputy Under Secretary of State for Political Affairs after February 21, 1968
- Buffum, William B.**, Director, Office of United Nations Political and Security Affairs until September 1965; Deputy Assistant Secretary of State for International Organizations Affairs until January 1967; thereafter Deputy United States Representative to the United Nations
- Bundy, McGeorge**, President's Special Assistant for National Security Affairs until February 28, 1966
- Bundy, William P.**, Assistant Secretary of Defense for International Security Affairs until March 14, 1964; Assistant Secretary of State for Far Eastern (later East Asian and Pacific) Affairs after March 16, 1964
- Bunker, Ellsworth**, Special Representative to Indonesia, March 1965; Ambassador to Vietnam after April 5, 1967
- Butler, Richard "Rab" A.**, British Secretary of State for Foreign Affairs until October 1964
- Cleveland, J. Harlan**, Assistant Secretary of State for International Organizations Affairs until September 8, 1965
- Cline, Ray**, Deputy Director for Intelligence, Central Intelligence Agency, until January 1966; thereafter Special Assistant to the DCI
- Colby, William E.**, Chief, Far Eastern Division, Directorate of Plans, Central Intelligence Agency, until 1967
- Conlon, Thomas F.**, Officer in Charge of Australia, New Zealand, and Pacific Affairs, until September 1964
- Cooper, Chester L.**, member of the National Security Council Staff, November 1964–April 1966; Special Assistant to Ambassador at Large Harriman September 1966–1967
- Cuthell, David C.**, Director, Office of Southwest Pacific Affairs until August 1966
- Dani, Omar**, Vice Air Marshal, Indonesian Air Force, Chief of Staff of the Indonesian Air Force and supporter of the 30th of September Movement
- Dillon, C. Douglas**, Secretary of the Treasury until March 1965
- Djojjakarta (Jogjakarta), Sultan, Hamenku Buwono IX**, Malaysian First Minister for the Economic and Financial Sector July 1966

- Ethel, William G.**, Colonel, USA, Army Attaché, Embassy in Indonesia
- Ewing, Richard T.**, member of the Office of Southeast Asian Affairs, August 1965; Country Director for Burma and Cambodia, July 1966–August 1967
- Forrestal, Michael V.**, member of the National Security Council Staff until April 1964; Secretary of State's Special Assistant for Vietnam July 1964–1965
- Fowler, Henry H.**, Secretary of the Treasury, April 1965–December 1968
- Freeman, Orville H.**, Secretary of Agriculture
- Fulbright, J.W.**, Senator from Arkansas (Democrat) and Chairman of the Senate Foreign Relations Committee
- Galbraith, Francis J.**, Counselor of Embassy and Consul General at Djakarta until January 1966; Ambassador to Singapore after October 13, 1966
- Gaud, William S.**, Deputy Administrator, Agency for International Development, February 27, 1964; Administrator after August 1, 1966
- Ghazali, Dato Muhammed**, Malaysian Permanent Under Secretary for External Affairs
- Godley, G. McMurtrie**, Deputy Assistant Secretary of State for East Asian and Pacific after March 1968
- Goldberg, Arthur J.**, Representative to the United Nations July 28, 1965–June 24, 1968
- Goodspeed, H. Kent**, Officer-in-Charge of Indonesian Affairs, August 1965–April 1967
- Gordon Walker, Patrick**, British Secretary of State for Foreign Affairs, October 16, 1964–January 22, 1965
- Green, Marshall**, Deputy Assistant Secretary of State for Far Eastern Affairs until June 4, 1965; thereafter Ambassador to Indonesia
- Habib, Philip C.**, Deputy Assistant Secretary of State for East Asian and Pacific Affairs after June 1967
- Hamilton, Edward**, senior staff member (on detail from the Bureau of the Budget), National Security Council, October 1965–December 1968
- Harlech, Lord, (William David Ormsby Gore)**, British Ambassador to the United States until April 1965
- Harriman, W. Averell**, Under Secretary of State for Political Affairs until March 17, 1965; thereafter Ambassador at Large
- Heavner, Theodore J.C.**, Consul in Medan, July 1964–1965
- Helms, Richard M.**, Deputy Director for Plans until April, 1965; Deputy Director of Central Intelligence April 28, 1965–June 30, 1966; thereafter Director of Central Intelligence
- Hilsman, Roger, Jr.**, Assistant Secretary of State for Far Eastern Affairs until March 14, 1964
- Holyoake, Sir Keith**, Prime Minister of New Zealand
- Home, Sir Alec Douglas**, British Prime Minister until October 1964
- Hughes, Thomas L.**, Director, Bureau of Intelligence and Research, Department of State
- Humphrey, Hubert H.**, Vice President of the United States
- Ingraham, Edward C.**, Officer-in-Charge of Indonesia Affairs until August 1965
- Jani (Yani), General**, Chief of Staff of the Indonesian Army until 1966
- Johnson, Lyndon B.**, President of the United States
- Johnson, U. Alexis**, Deputy Under Secretary of State for Political Affairs until July 12, 1964; Deputy Ambassador to Vietnam July 1964–September 1965; Deputy Under Secretary of State for Political Affairs November 1, 1965–October 9, 1965; Ambassador to Japan after November 8, 1966
- Jones, Howard P.**, Ambassador to Indonesia until May 24, 1965

**Jones, Jim R.**, Assistant to the President February 1965–January 1968, Deputy Special Assistant, January–May 1968, Special Assistant after May 1968

**Jorden, William J.**, Deputy Assistant Secretary of State for Public Affairs, April 11, 1965; senior member of the National Security Council Staff May 1966–May 1968; thereafter member of the Delegation to the Paris Peace talks on Vietnam

**Katzenbach, Nicholas deB.**, Under Secretary of State after September 30, 1966

**Kennedy, Robert F.**, Attorney General of the United States until September 1964

**Kent, Sherman**, Assistant Director, Office of National Estimates and Chairman of the Board of National Estimates until July 24, 1965; thereafter Director of National Estimates and Chairman of the Board of National Estimates

**Komer, Robert W.**, member of the National Security Council staff until September 1965; Deputy Special Assistant to the President for National Security Affairs until March 1966; Special Assistant to the President March 28, 1966–May 1967

**Ledesma, Oscar**, Philippine Ambassador to the United States until 1966

**Lee Kwan Yew ("Harry")**, Prime Minister of Singapore

**Leimena, Johannes**, Second Vice-Prime Minister of Indonesia and Minister Coordinator for Distribution until July 1966

**LeMay, General Curtis E.**, USAF, Chief of Staff, United States Air Force until January 31, 1965

**Lopez, Salvador P.**, Philippines Secretary of Foreign Affairs 1963–1964

**Lydman, Jack Wilson**, Consul General in Djakarta from October 1965

**Macapagal, Diodado**, President of the Philippines until January 1, 1966

**McCone, John A.**, Director for Central Intelligence until April 28, 1965

**McNamara, Robert S.**, Secretary of Defense until February 29, 1968

**McNaughton, John T.**, Assistant Secretary of Defense for International Security Affairs, July 1, 1964–July 19, 1967

**Malik, Adam**, Indonesian Minister of Trade until March 31, 1965; Minister of Political Affairs in the Cabinet until March 1966; Interim Foreign Minister and Minister for Foreign Economic Relations until July 25, 1966; Vice President for Political Affairs Sector until November 11, 1967; thereafter Minister of Foreign Affairs

**Mann, Thomas C.**, Under Secretary of State for Economic Affairs March 19, 1965–May 31, 1966

**Mansfield, Mike**, Senator from Montana (Democratic) and Senate Majority Leader

**Marcos, Ferdinand**, President of the Philippines after December 1965

**Marks, Leonard H.**, Director, U.S. Information Agency July 22, 1965–December 6, 1968

**Martens, Robert J.**, Political Officer at the Embassy in Djakarta until October 1966

**Menzies, Robert G.**, Prime Minister of Australia until January 26, 1966

**Moore, Jonathan**, Special Assistant to the Assistant Secretary of State for Far Eastern Affairs, March 1964–June 1966

**Moscotti, Albert D.**, officer-in-charge of Malaysian Affairs, Office of Southwest Pacific Affairs, Bureau of East Asian and Pacific Affairs, Department of State, until July 1966

**Moyers, Bill**, Special Assistant to the President, Chief of Staff of the White House 1964–January 1967, and White House Press Secretary July 1965–January 1967

**Nasution, General Adul Haris**, Indonesian Minister Coordinator for Defense and Security until July 25, 1966; thereafter Chief of Staff of the Armed Forces

**Nuechterlein, D.E.**, member, Far East Region division, Office of the Deputy Assistant Secretary of Defense for International Security Affairs

**Ong Yoke Lin, Dato**, Malaysian Ambassador to the United States

**Palar, Lambertus N.**, Indonesia Ambassador to the United States until November 1966  
**Poats, Rutherford M.**, Assistant Administrator for Far East, Agency for International Development, April 1964–May 1967; thereafter Deputy Administrator

**Raborn, William F., Jr.**, Director of Central Intelligence, April 28 1965–June 30, 1966  
**Ramos, Narcisco**, Philippine Secretary of Foreign Affairs 1966  
**Razak, Dato Abdul**, Minister of Defense of Malaysia  
**Read, Benjamin H.**, Executive Secretary of the Department of State  
**Reischauer, Edwin O.**, Ambassador to Japan until August 19, 1966  
**Romualdez, Benjamin**, Marcos adviser and brother-in-law  
**Romualdez, Eduardo Z.**, Philippines Minister of Finance, 1966  
**Romulo, Carlos P.**, Philippines Secretary of Education, 1966  
**Ropa, Donald W.**, member of the National Security Council Staff 1965–1967  
**Rostow, Walt W.**, Counselor of the Department of State and Chairman of the Policy Planning Staff until March 31, 1966; thereafter Special Assistant to the President  
**Rowan, Carl T.**, Director, U.S. Information Agency, February 27, 1964–July 10, 1965  
**Rusk, Dean**, Secretary of State  
**Russell, Richard**, Senator (Democratic) from Georgia

**Saleh, Chairul**, Third Deputy Prime Minister of Indonesia and Minister Coordinator for Agriculture until July 1966  
**Sandys, Duncan E.**, British Secretary of State for Foreign and Commonwealth Affairs until October 1964  
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**Stevenson, William E.**, Ambassador to the Philippines until June 14, 1964  
**Stewart, Michael**, British Secretary of State for Foreign and Commonwealth Affairs, January 1965–August 1966 and March 1968–June 1970  
**Subandrio**, First Deputy Prime Minister of Indonesia and Minister Coordinator of Foreign Affairs and Foreign Economic Affairs until July 1966  
**Suharto, General**, Indonesia Army, Commander of the Indonesian Army's Strategic Reserve Command (KOSTRAD) until October 16, 1965, Chief of Staff of the Indonesia Army and Chairman of Presidium and First Minister of Defense and Security Sector; after March 12, 1967 Acting President of Indonesia  
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**Sullivan, William H.**, Special Assistant to the Under Secretary of State for Political Affairs until March 1964; Special Assistant for Vietnamese Affairs to the Secretary of State March–November 1964; Ambassador to Laos after November 25, 1964  
**Suwito Kusumowidagdo**, Deputy Foreign Minister of Indonesia, then Indonesian Ambassador to the United States after January 13, 1967.

**Tan Siew Sin**, Malaysian Minister of Finance  
**Thanat Khomen**, Foreign Minister of Thailand  
**Thant, U**, Secretary-General of the United Nations  
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**Tunku Abdul Rahman**, Prime Minister of Malaysia  
**Tyler, William R.**, Assistant Secretary of State for European and Canadian Affairs until May 18, 1965

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**Untung, Lieutenant Colonel**, Indonesia Army, battalion commander of Tjakrabirawa regiment and leader of the 30th of September Movement

**Valenti, Jack**, Special Assistant to the President until May 1966

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**Williams, G. Mennen**, Ambassador to the Philippines after May 15, 1968

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# Note on U.S. Covert Action Programs

In compliance with the *Foreign Relations of the United States* statute to include in the *Foreign Relations* series comprehensive documentation on major foreign policy decisions and actions, the editors have sought to present essential documents regarding major covert actions and intelligence activities. The following note will provide readers with some organizational context on how covert actions and special intelligence operations in support of U.S. foreign policy were planned and approved within the U.S. Government. It describes, on the basis of previously-declassified documents, the changing and developing procedures during the Truman, Eisenhower, Kennedy, and Johnson Presidencies.

## *Management of Covert Actions in the Truman Presidency*

The Truman administration's concern over Soviet "psychological warfare" prompted the new National Security Council to authorize, in NSC 4-A of December 1947, the launching of peacetime covert action operations. NSC 4-A made the Director of Central Intelligence responsible for psychological warfare, establishing at the same time the principle that covert action was an exclusively Executive Branch function. The Central Intelligence Agency (CIA) certainly was a natural choice but it was assigned this function at least in part because the Agency controlled unvouchered funds, by which operations could be funded with minimal risk of exposure in Washington.<sup>1</sup>

CIA's early use of its new covert action mandate dissatisfied officials at the Departments of State and Defense. The Department of State, believing this role too important to be left to the CIA alone and concerned that the military might create a new rival covert action office in the Pentagon, pressed to reopen the issue of where responsibility for covert action activities should reside. Consequently, on June 18, 1948, a new NSC directive, NSC 10/2, superseded NSC 4-A.

NSC 10/2 directed CIA to conduct "covert" rather than merely "psychological" operations, defining them as all activities "which are conducted or sponsored by this Government against hostile foreign states or groups or in support of friendly foreign states or groups but which are so planned and executed that any US Government responsibility for them is not evident to unauthorized persons and that if uncovered the US Government can plausibly disclaim any responsibility for them."

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<sup>1</sup> NSC 4-A, December 17, 1947, is printed in *Foreign Relations*, 1945-1950, Emergence of the Intelligence Establishment, Document 257.



The type of clandestine activities enumerated under the new directive included: "propaganda; economic warfare; preventive direct action, including sabotage, demolition and evacuation measures; subversion against hostile states, including assistance to underground resistance movements, guerrillas and refugee liberations [*sic*] groups, and support of indigenous anti-Communist elements in threatened countries of the free world. Such operations should not include armed conflict by recognized military forces, espionage, counter-espionage, and cover and deception for military operations."<sup>2</sup>

The Office of Policy Coordination (OPC), newly established in the CIA on September 1, 1948, in accordance with NSC 10/2, assumed responsibility for organizing and managing covert actions. OPC, which was to take its guidance from the Department of State in peacetime and from the military in wartime, initially had direct access to the State Department and to the military without having to proceed through CIA's administrative hierarchy, provided the Director of Central Intelligence (DCI) was informed of all important projects and decisions.<sup>3</sup> In 1950 this arrangement was modified to ensure that policy guidance came to OPC through the DCI.

During the Korean conflict the OPC grew quickly. Wartime commitments and other missions soon made covert action the most expensive and bureaucratically prominent of CIA's activities. Concerned about this situation, DCI Walter Bedell Smith in early 1951 asked the NSC for enhanced policy guidance and a ruling on the proper "scope and magnitude" of CIA operations. The White House responded with two initiatives. In April 1951 President Truman created the Psychological Strategy Board (PSB) under the NSC to coordinate government-wide psychological warfare strategy. NSC 10/5, issued in October 1951, reaffirmed the covert action mandate given in NSC 10/2 and expanded CIA's authority over guerrilla warfare.<sup>4</sup> The PSB was soon abolished by the incoming Eisenhower administration, but the expansion of CIA's covert action writ in NSC 10/5 helped ensure that covert action would remain a major function of the Agency.

As the Truman administration ended, CIA was near the peak of its independence and authority in the field of covert action. Although CIA continued to seek and receive advice on specific projects from the

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<sup>2</sup> NSC 10/2, June 18, 1948, printed *ibid.*, Document 292.

<sup>3</sup> Memorandum of conversation by Frank G. Wisner, "Implementation of NSC-10/2," August 12, 1948, printed *ibid.*, Document 298.

<sup>4</sup> NSC 10/5, "Scope and Pace of Covert Operations," October 23, 1951, in Michael Warner, editor, *The CIA Under Harry Truman* (Washington, D.C.: Central Intelligence Agency, 1994), pp. 437-439.

NSC, the PSB, and the departmental representatives originally delegated to advise OPC, no group or officer outside of the DCI and the President himself had authority to order, approve, manage, or curtail operations.

*NSC 5412 Special Group; 5412/2 Special Group; 303 Committee*

The Eisenhower administration began narrowing CIA's latitude in 1954. In accordance with a series of National Security Council directives, the responsibility of the Director of Central Intelligence for the conduct of covert operations was further clarified. President Eisenhower approved NSC 5412 on March 15, 1954, reaffirming the Central Intelligence Agency's responsibility for conducting covert actions abroad. A definition of covert actions was set forth; the DCI was made responsible for coordinating with designated representatives of the Secretary of State and the Secretary of Defense to ensure that covert operations were planned and conducted in a manner consistent with U.S. foreign and military policies; and the Operations Coordinating Board was designated the normal channel for coordinating support for covert operations among State, Defense, and CIA. Representatives of the Secretary of State, the Secretary of Defense, and the President were to be advised in advance of major covert action programs initiated by the CIA under this policy and were to give policy approval for such programs and secure coordination of support among the Departments of State and Defense and the CIA.<sup>5</sup>

A year later, on March 12, 1955, NSC 5412/1 was issued, identical to NSC 5412 except for designating the Planning Coordination Group as the body responsible for coordinating covert operations. NSC 5412/2 of December 28, 1955, assigned to representatives (of the rank of assistant secretary) of the Secretary of State, the Secretary of Defense, and the President responsibility for coordinating covert actions. By the end of the Eisenhower administration, this group, which became known as the "NSC 5412/2 Special Group" or simply "Special Group," emerged as the executive body to review and approve covert action programs initiated by the CIA.<sup>6</sup> The membership of the Special Group varied depending upon the situation faced. Meetings were infrequent until 1959 when weekly meetings began to be held. Neither the CIA nor the Special Group adopted fixed criteria for bringing projects before the group;

<sup>5</sup> William M. Leary, editor, *The Central Intelligence Agency: History and Documents* (The University of Alabama Press, 1984), p. 63; the text of NSC 5412 is scheduled for publication in *Foreign Relations, 1950-1960, Development of the Intelligence Community*.

<sup>6</sup> Leary, *The Central Intelligence Agency: History and Documents*, pp. 63, 147-148; *Final Report of the Select Committee To Study Governmental Operations With Respect to Intelligence Activities, United States Senate, Book I, Foreign and Military Intelligence* (1976), pp. 50-51. The texts of NSC 5412/1 and NSC 5412/2 are scheduled for publication in *Foreign Relations, 1950-1960, Development of the Intelligence Community*.

initiative remained with the CIA, as members representing other agencies frequently were unable to judge the feasibility of particular projects.<sup>7</sup>

After the Bay of Pigs failure in April 1961, General Maxwell Taylor reviewed U.S. paramilitary capabilities at President Kennedy's request and submitted a report in June which recommended strengthening high-level direction of covert operations. As a result of the Taylor Report, the Special Group, chaired by the President's Special Assistant for National Security Affairs McGeorge Bundy, and including Deputy Under Secretary of State U. Alexis Johnson, Deputy Secretary of Defense Roswell Gilpatric, Director of Central Intelligence Allen Dulles, and Chairman of the Joint Chiefs of Staff General Lyman Lemnitzer, assumed greater responsibility for planning and reviewing covert operations. Until 1963 the DCI determined whether a CIA-originated project was submitted to the Special Group. In 1963 the Special Group developed general but informal criteria, including risk, possibility of success, potential for exposure, political sensitivity, and cost (a threshold of \$25,000 was adopted by the CIA), for determining whether covert action projects were submitted to the Special Group.<sup>8</sup>

From November 1961 to October 1962 a Special Group (Augmented), whose membership was the same as the Special Group plus Attorney General Robert Kennedy and General Taylor (as Chairman), exercised responsibility for Operation Mongoose, a major covert action program aimed at overthrowing the Castro regime in Cuba. When President Kennedy authorized the program in November, he designated Brigadier General Edward G. Lansdale, Assistant for Special Operations to the Secretary of Defense, to act as chief of operations, and Lansdale coordinated the Mongoose activities among the CIA and the Departments of State and Defense. CIA units in Washington and Miami had primary responsibility for implementing Mongoose operations, which included military, sabotage, and political propaganda programs.<sup>9</sup>

President Kennedy also established a Special Group (Counter-Insurgency) on January 18, 1962, when he signed NSAM No. 124. The Special Group (CI), set up to coordinate counter-insurgency activities separate from the mechanism for implementing NSC 5412/2, was to confine itself to establishing broad policies aimed at preventing and resisting subversive insurgency and other forms of indirect aggression in friendly countries. In early 1966, in NSAM No. 341, President John-

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<sup>7</sup> Leary, *The Central Intelligence Agency: History and Documents*, p. 63.

<sup>8</sup> *Ibid.*, p. 82.

<sup>9</sup> See *Foreign Relations*, 1961-1963, vol. X, Documents 270 and 278.

son assigned responsibility for the direction and coordination of counter-insurgency activities overseas to the Secretary of State, who established a Senior Interdepartmental Group to assist in discharging these responsibilities.<sup>10</sup>

NSAM No. 303, June 2, 1964, from Bundy to the Secretaries of State and Defense and the DCI, changed the name of "Special Group 5412" to "303 Committee" but did not alter its composition, functions, or responsibility. Bundy was the chairman of the 303 Committee.<sup>11</sup>

The Special Group and the 303 Committee approved 163 covert actions during the Kennedy administration and 142 during the Johnson administration through February 1967. The 1976 Final Report of the Church Committee, however, estimated that of the several thousand projects undertaken by the CIA since 1961, only 14 percent were considered on a case-by-case basis by the 303 Committee and its predecessors (and successors). Those not reviewed by the 303 Committee were low-risk and low-cost operations. The Final Report also cited a February 1967 CIA memorandum that included a description of the mode of policy arbitration of decisions on covert actions within the 303 Committee system. CIA presentations were questioned, amended, and even on occasion denied, despite protests from the DCI. Department of State objections modified or nullified proposed operations, and the 303 Committee sometimes decided that some agency other than CIA should undertake an operation or that CIA actions requested by Ambassadors on the scene should be rejected.<sup>12</sup>

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<sup>10</sup> For text of NSAM No. 124, see *ibid.*, vol. VIII, Document 68. NSAM No. 341, March 2, 1966, is printed *ibid.*, 1964-1968, vol. XXXIII, Document 56.

<sup>11</sup> For text of NSAM No. 303, see *ibid.*, Document 204.

<sup>12</sup> *Final Report of the Select Committee To Study Governmental Operations With Respect to Intelligence Activities, United States Senate, Book I, Foreign and Military Intelligence*, pp. 56-57.



# Indonesia

## Sukarno's Confrontation With Malaysia: January–November 1964

### 1. Telephone Conversation Between President Johnson and Secretary of Defense McNamara<sup>1</sup>

Washington, January 2, 1964, 3:20 p.m.

[Here follows discussion unrelated to Indonesia.]

McNamara [hereafter McN]: I have got to go over to State in about thirty minutes on your Indonesia problem. [Here follows a further discussion on a possible buyout of Studebaker by Litton Industries.]

Johnson [hereafter LBJ]: All right. Now I talked to Dick Russell about that and he says that I ought to be impeached if I approve it [aid to Indonesia].

McN: On Indonesia?

LBJ: Yup. He is not that tough, but he is about that tough. And I told him that you felt the same way, and he said, well, I have been telling him about how right you were and why didn't I listen to you.

McN: (laughter.) That is what I'm going to tell State. I'm meeting with Dean Rusk in about a half an hour on this.<sup>2</sup>

LBJ: I just wish you tell them that you made your judgment independently, but I just feel that I ought to be impeached if I approve it. That's just how deeply I feel.

McN: There may be a middle ground that we can keep our employees on the payroll, and hold any important amount of aid. This is what I'm trying to find out.

LBJ: I made a speech on the Greek-Turkish policy in 1945 or 6 in which I said when you let a bully come in and start raiding you in your front yard, if you run, he'll come in and run you out of your bedroom the next night. I don't think we ought to encourage this guy [Sukarno] to do what he is doing there. And I think that any assistance just shows weakness on our part.

McN: I feel exactly that way.

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<sup>1</sup> Source: Johnson Library, Telephone Recordings and Transcripts, Recording of a conversation between Johnson and McNamara, Tape F64.3, PNO 5, side A. No classification marking. This transcript was prepared by the Office of the Historian specifically for this volume.

<sup>2</sup> No record of this meeting has been found.

LBJ: Well, just tell them that is exactly as I feel and you don't want to get these recommendations down here and get them slapped back in your face. And let's try and do something about it.

McN: I'll try and do that.

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## 2. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>

Washington, January 4, 1964, 2:55 p.m.

727. Your 1360.<sup>2</sup> Whole question of aid to GOI still under high-level review and guidance to you not likely for several days. FYI. Latest Indonesian actions such as Kalabakan raid, renewed statements GOI intention "crush" Malaysia, Sukarno and Saleh treatment of SVN Liberation Front make it questionable whether we will be able continue existing ongoing aid let alone increase it or take on new obligations. End FYI. In circumstances, you should make it clear that Congressional amendments will make it impossible to continue any aid at all if Indonesia continues to support insurgency activities in North Borneo.

At same time, suggest you get across to Sukarno that correction this increasingly tense relationship almost entirely in his and GOI's hands. What is needed to let us help Indonesia is not only surface improvement in area relations but clear and lasting indication GOI intends live at peace with its neighbors. We do not challenge GOI's right try develop its economy apart from Malaysia, but cannot support Indo when it even indirectly engaged in military and political acts of aggressive nature. Without showing you aware Thanat's latest effort, you might push general idea described Deptel 724,<sup>3</sup> and express hope that Sukarno's meeting with Macapagal will lead to reduction politico-military confrontation rather than its escalation.

In short, Dept does not wish spoil friendly luncheon, but wishes Sukarno be aware that cumulative effect Indo actions in past months

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 15–1 INDON. Secret; Flash; Limit Distribution. Drafted by Cuthell, cleared by Harriman, and approved by Hilsman.

<sup>2</sup> In telegram 1360 from Djakarta, January 4, Jones asked if he could "hold out some carrot" during a lunch with Sukarno in January. (Ibid.)

<sup>3</sup> In telegram 724 to Djakarta, January 4, the Department of State informed the Embassy that the British Embassy had learned that Macapagal had agreed to Thanat's idea of sounding out Sukarno about a 1-month "truce in shooting and propaganda" by all involved in the dispute over Malaysia. (Ibid., POL 32–1 INDON–MALAYSIA)

has been to bring US-Indo relations to point of crisis which only decent Indo conduct can restore.<sup>4</sup>

**Rusk**

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<sup>4</sup> In telegram 1362 from Djakarta, January 4, Jones reported in detail a half hour frank and private conversation that he had with Sukarno during the lunch. Jones commented the "talk went nowhere except to put Sukarno clearly on notice." (Ibid., POL 15-1 INDON)

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### 3. Telegram From the Department of State to the Embassy in the Philippines<sup>1</sup>

Washington, January 6, 1964, 1:56 p.m.

928. Following is letter from President Johnson to be delivered today to President Macapagal:<sup>2</sup>

"Dear President Macapagal:

I am delighted to learn that you plan to meet with President Sukarno in the next few days.<sup>3</sup> Your increasing role in working for the security of Southeast Asia can be of decisive importance in the dangerous situation between Indonesia and Malaysia.

As you know, the United States has from the start wanted Indonesia to become a free and prosperous nation, able to handle its own destinies without outside interference, and on good terms with its neighbors and the free world. We participated actively in helping Indonesia to gain its independence. We helped Indonesia reach an honorable settlement of the West Irian dispute. For many years we have provided a variety of forms of assistance to Indonesia, all designed to help the Indonesians reach their objectives as a free people controlling their

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-MALAYSIA. Secret; Flash; Verbatim Text. Drafted by Hilsman; cleared by Harriman and the President; and approved by Rusk. Repeated to Djakarta.

<sup>2</sup> In telegram 962 from Manila, January 7, Stevenson reported that he delivered the letter and had a "relaxed and useful" discussion with Macapagal about it. Macapagal replied to Johnson's letter on January 7. The text is in telegram 972 from Manila, January 8. (Ibid.)

<sup>3</sup> A preliminary assessment of the meetings between Sukarno and Macapagal is in telegram 1000 from Manila, January 11. (Ibid. POL INDON-PHIL)



own destiny. I believe that President Sukarno and the Indonesian people understand our good will toward them.

Yet I have been greatly concerned about the already serious tension between Indonesia and Malaysia, which now seems to be entering a new and more dangerous phase. In recent months the Indonesian Government has seemed to be embarked on a course which can only lead to a major, perhaps catastrophic, disruption of Southeast Asia. Indonesia has made no secret of the fact that it is training guerrillas to be introduced into Malaysian territory. Indonesia's most recent acceleration of military confrontation, as exemplified by the major guerrilla raid on Kalabakan and a new resurgence of verbal violence against both Malaysian Borneo and the Government of Malaysia, has reached a point at which open violence, with irretrievable consequences, seems possible. This mounting danger has resulted in extremely powerful resistance to continued United States support for Indonesia on the part of the American Congress and public. I very much doubt that, if Indonesia continues on its present course, we will have legislative freedom to do anything significant in helping the Indonesians develop the full potential of their great country.

It seems to me that your forthcoming meeting will take place at a moment of crisis in Southeast Asia. From our talk in Washington,<sup>4</sup> I know that you are fully conscious of the importance of what happens in the next weeks. I remember well that your initiative turned the course of events away from disaster in similar circumstances last summer. The Manila meetings developed an Asian solution through the Maphilindo concept. I believe that what is needed now is another imaginative plan designed to halt all military confrontation immediately, and to lead the Maphilindo powers toward a new attempt at reconciliation through negotiation. In this task, which I know you plan to undertake, I wish to assure you of my fullest support and gratitude.

Sincerely,

Lyndon B. Johnson."

**Rusk**

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<sup>4</sup> See *Foreign Relations*, 1961–1963, vol. XXIII, Document 392.

#### 4. Memorandum From Secretary of State Rusk to President Johnson<sup>1</sup>

Washington, January 6, 1964.

##### *The Problem*

In the light of Indonesia's active opposition to Malaysia, whether a Presidential Determination on aid to Indonesia should be signed.

##### *The Situation*

Although Sukarno will avoid open warfare, he continues his policy of "confrontation" aimed at "crushing" Malaysia and makes no secret of his intention to support a guerrilla insurrection in North Borneo.

At the same time, the Indonesians continue to explore with the Thais and the Filipinos the possibilities of negotiations to end the dispute, including a meeting planned for early January between Sukarno and Macapagal.

Up to the period of full "confrontation", the United States maintained a minimal aid program in Indonesia designed, first, to strengthen anti-Communist elements for the battle that will follow Sukarno's departure, and, second, to give us a foot-in-the-door influence on Sukarno's policies and for such benefits as the recent oil agreements.

With the advent of full "confrontation", however, we have strongly opposed Sukarno's policies—by warning the Indonesians that a direct attack on Malaysia would bring UN action with the US aligned against them; by halting negotiations for new PL 480<sup>2</sup> programs and for new aid to support economic stabilization; by cutting all weapons and ammunition from existing programs; and by discontinuing the training of Indonesian officers in courses related to guerrilla activity.

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<sup>1</sup> Source: Johnson Library, National Security File, National Security Council Meetings, Vol. 1, Tab 2, 1/7/64, Assistance to Indonesia. Secret.

<sup>2</sup> The Agricultural Trade Development and Assistance Act, enacted July 10, 1954. P.L. 480 provided for the donation of U.S. agricultural surplus to friendly governments; for text, see 68 Stat. 454.

A summary of action taken on aid is contained in the following table:

	<u>1963</u>	<u>Requested for 1964</u>	<u>Present</u>
AID-technical assistance to civil groups, police and officers engaged in civic action, and malaria eradication	\$19.6	\$29.4	\$12.9
MAP-weapons, communications, training	\$16.6	\$16.4	\$ 2.1
Loan support for stabilization	<u>\$17.0</u>	<u>\$40.0</u>	<u>0.0</u>
TOTAL	\$53.2	\$85.8	\$15.0

#### *Recommendation*

Our recommendation is against completely cutting off aid at this time. Doing so would not, in our judgment, change Sukarno's behavior, but would wreck the Thai and Filipino efforts at reconciliation. It would also trigger a violent reaction. In all probability, Sukarno would seize the \$500 million American oil properties, encourage Communist hoodlums to burn our Embassy, and break diplomatic relations—all of which could well be followed by UN action involving the United States or even our obligations under the ANZUS treaty. These violent actions may eventually come in any case, since we continue to oppose Sukarno's "confrontation" policies. But we should see that it is Sukarno that gets the full onus.

What we do recommend is a policy of very tight control over all aspects of both aid and trade with Indonesia, with progressive cuts in our aid programs as the situation and Indonesian behavior warrant.

The primary disadvantage of this policy is the risk of domestic criticism of continuing aid and friendly relations with Sukarno at this time. In addition, any aid to Indonesia will produce continuing resentment from the United Kingdom and from Malaysia, and continuing pressure on us by them. It is also possible, though not probable, that even the very limited aid we propose may lead some Indonesians to believe that we are not firm in our opposition to their policy of confrontation.

The advantages, in ascending order of importance, are that we (1) preserve our foreign business investments in Indonesia, (2) continue strengthening anti-Communist elements within Indonesia as long as possible, (3) maintain for the time being US presence and foot-in-the-door influence, which exercises at least some restraint on the Indonesians and puts us in a position to take advantage of any opportunities for steering their policies into more constructive channels, and (4) avoid

the onus of triggering a break and putting the responsibility for any violent action directly on the Indonesians.

Under this policy, we would for the time being:

1. permit 40,000 tons of PL 480 rice, which you recently approved, plus small Title II and III programs, to continue;
2. continue the reduced 1964 AID program;
3. continue the reduced 1964 MAP program;
4. delay decision on other aid, PL 480, and related matters as long as possible, making decisions in the light of Indonesian behavior at the time decision is required.

A recapitulation of these various programs follows:

*To Be Continued, Subject to Review:*

	<i>(Millions of U.S. Dollars)</i>
1. PL 480—40,000 tons of rice, plus small Title II and III programs	\$ 8.5
2. 1964 AID (Presidential Determination <i>required</i> ) technical assistance, civic action, and malaria eradication at monthly rate of \$1,075,000	\$12.9
3. 1964 MAP (Presidential Determination <i>required</i> ) training (monthly rate \$0.175)	\$ 2.1

*To Be Delayed:*

1. PL 480—Completion of existing three year Title I program (Decision on about \$10 million needed within next month. Decision on balance required during calendar year 1964.)	\$36.6
2. PL 480—Consideration of pending requests for new agreement to provide additional rice up to 100,000 tons.	\$13.5 (est.)
3. Consideration of pending development loan for rehabilitation of tin mines.	\$10.0 (est.)

In addition, we have warned Lockheed, first, that we would *not* be willing to grant export licenses for new purchases of C-130's; and, second, that we *may* not be willing to grant export licenses for additional spare parts (decision due in February).

### *Pipeline*

The Presidential Determination required by Section 620(j)<sup>3</sup> relates only to new obligations. With respect to assistance now in the pipe-

<sup>3</sup> Section 620(j) of the Foreign Assistance Act of 1963, Public Law 88-205, approved December 16, 1963. (77 Stat. 379)

line (funds obligated in prior years), we propose the following actions.

In the case of MAP, we have already suspended deliveries of aircraft, ships, and all weapons and ammunition. Up to now, however, we have continued deliveries of other items such as, trucks, electronics equipment, and various spare parts and consumable items (uniforms, tires, etc.) for the Indonesian armed forces, less one major long-standing project for communications in Java and Sumatra only (i.e., possibly not contributing to Indonesian capabilities against Malaysia in the foreseeable future). Preliminary analysis is that about 7.5 million dollars of such items remain for delivery at the present time, of which only a small fraction of the items directly used by the armed forces would be likely to be delivered in the near future. Weighing the impact of cut-off on Indonesia versus the consequences of delivering items that do in some degree contribute significantly to Indonesian military capability, the Secretary of Defense, in consultation with the Secretary of State, will examine the list in detail and suspend deliveries that could in any way so contribute. The Secretary of Defense will then report to you the action taken, noting any items that may in his judgment be deliverable under this criteria.

With respect to the AID "pipeline" of unexpended obligations, the Secretary of State and the Administrator of AID, in consultation with Department of Defense, will examine continually the desirability of continuing deliveries of equipment to the Mobile Brigade in the light of its geographic dispositions, leadership and other considerations and will suspend other deliveries they judge likely to contribute substantially to Indonesian military capability. Approximately \$5 million in equipment for the Mobile Brigade is in the pipeline; of this, approximately \$2.5 million in arms and ammunition already has been suspended. Other elements of the economic assistance pipeline, deliverable over the next two years, consisting of approximately \$10 million for technical assistance, \$5 million for industrial supplies and equipment, and \$7 million outstanding on capital project loans, will be discharged in accordance with our commitments.

#### *Presidential Determination*

A Presidential Determination is required to implement the above policy as it relates to 1964 programs. However, we believe that this determination can be so worded as to reflect the selective policy recommended above and the provisional nature of the decisions being taken on aid matters. Two alternatives along these lines for your signature are attached at Tabs A and B.

### *Gruening Amendment*

One further matter concerning aid to Indonesia is the Gruening Amendment, Section 620(i) of the Foreign Assistance Act of 1964<sup>4</sup> which, in pertinent part, provides—

No assistance shall be provided under this or any other Act, and no sales shall be made under the Agricultural Trade Development and Assistance Act of 1954, to any country which the President determines is engaging in or preparing for aggressive military efforts directed against etc.

Our recommendation is that responsibility be assigned to the Secretary of State to keep the situation under continuing review and at such time as the situation may warrant, recommend to the President that he determine that Indonesia is engaged in or preparing for aggressive military action.

DR

### **Tab A**

#### MEMORANDUM FOR

The Secretary of State  
The Secretary of Defense  
The Administrator, Agency for International Development

In the light of Section 620(j) of the Foreign Assistance Act of 1961, as amended, I hereby direct that the furnishing of assistance to Indonesia shall be only for such selective purposes and in such amounts as I may from time to time authorize.

Pursuant to Section 620(j), I hereby determine, subject to my continuing review in the light of developments, that the furnishing of limited and provisional assistance to Indonesia as follows is essential to the national interest of the United States:

- (1) Assistance for training Indonesian specialists, officials and military personnel in the United States;
- (2) Technical assistance to educational and governmental institutions and agencies, including police;
- (3) Assistance for malaria eradication;
- (4) Assistance in the form of equipment and training for civic action programs; and
- (5) Transportation and communications equipment for police forces.

In accordance with the provisions of Section 620(j), the Foreign Relations Committee and the Appropriations Committee of the Senate

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<sup>4</sup> Reference should be to the Foreign Assistance Act of 1963. (77 Stat 379)

and the Speaker of the House of Representatives will be kept fully and currently informed of any assistance furnished to Indonesia under the Foreign Assistance Act.

**Tab B**

MEMORANDUM FOR

The Secretary of State  
The Secretary of Defense  
The Administrator, Agency for International Development

Pursuant to Section 620(j) of the Foreign Assistance Act of 1961, as amended, I hereby determine that the furnishing of limited and provisional assistance to Indonesia is essential to the national interest of the United States. I have directed that the furnishing of such assistance shall be only for such selective purposes and in such amounts as I may personally from time to time authorize.

In accordance with the provisions of Section 620(j), the Foreign Relations Committee and the Appropriations Committee of the Senate and the Speaker of the House of Representatives will be kept fully and currently informed of any assistance furnished to Indonesia under the Foreign Assistance Act.

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**5. Memorandum From Michael V. Forrestal of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, January 6, 1964.

SUBJECT

Aid to Indonesia

There is apparently an NSC meeting at 4 p.m. this afternoon on the subject of aid to Indonesia.<sup>2</sup>

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. I, 11/63-4/64. Secret.

<sup>2</sup> The meeting took place on January 7 at 4 p.m.; see Document 8.

I have reviewed a memorandum from the Secretary of State to the President<sup>3</sup> which will, presumably, be discussed at this meeting. I offer the following comments to you for what they are worth.

In my opinion, the principal recommendation in this memorandum would constitute an abandonment by the Secretary of State and the President of the opportunity to make the critical judgment on whether the United States should embark upon a policy which involves an eventual risk of U.S. involvement in military operations against Indonesia.

The last two sentences of the second full paragraph on Page 5 of the Secretary of State's memorandum read as follows:

"Weighing the impact of cut-off on Indonesia versus the consequences of delivering items that do in some degree contribute significantly to Indonesian military capability, the Secretary of Defense, in consultation with the Secretary of State, will examine the list in detail and suspend deliveries that could in any way so contribute. The Secretary of Defense will then report to you the action taken, noting any items that may in his judgment be deliverable under this criteria."

What is contemplated is that the Secretary of Defense will review all items currently scheduled for delivery to Indonesia with a view to suspending such shipments as may contribute to Indonesian military capability. The Secretary of Defense will "consult" with State and report after the fact to the President. This looks innocent enough on the surface, but it overlooks the basic political fact that a seemingly innocuous decision to suspend a scheduled delivery of a particular item may well be construed by the Indonesians at some point to be a signal of a basic change in U.S. policy toward that country. Consider, for example, the shipment of trucks to the Indonesian army for civil action projects. I understand that the Secretary of Defense is inclined to view some of these shipments as a contribution to Indonesian military capability. This of course may be so; but to the extent that such shipments have been promised to the Indonesians and are subsequently cut off, it seems to me that we may be giving Nasution an unintended indication that the U.S. is abandoning its political support of the Indonesian armed forces. If the Indonesians construed our action in such a way, there would be every incentive to them to take maximum political advantage of such a situation by anticipating further cuts in U.S. aid.

The example of Cambodia should be kept in mind. When a politically sensitive and popular Asian leader comes to the conclusion, rightly or wrongly, that the United States has become unsympathetic

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<sup>3</sup> Document 4.



to his national aims and ambitions, his first reaction will be to prove his independence of U.S. policy.

In the case of Indonesia, this could mean that the army and the PKI would unite even more closely behind Sukarno and his efforts to "crush" Malaysia. He could be expected to escalate his efforts, appealing to his people for a total national effort against the forces of colonialism led by the United States and its principal European ally. At some point in this process our obligations under the ANZUS Treaty would be called into play; and in any event, we would find it hard domestically to sit idly by while the British got themselves heavily engaged in a guerrilla battle against a vituperative Sukarno.

Of course, all this may happen in any event; but it seems imperative to me that a decision to risk such a chain of events should be taken at the highest level of the Government and only after full investigation of the possible consequences.

I would recommend that the Secretaries of State and Defense be assigned the task of reviewing the "pipe line" items, presenting their recommendations to the President (separately if they cannot agree) before any action is taken. In the meantime, I think we must mount a renewed and more intense diplomatic effort to turn Sukarno off, using whatever leverage that remains to us in our present aid programs in Indonesia. For this purpose I certainly think it is essential that a personal, tough-talking representative of the President visit Sukarno before the Ramadan month of fasting begins in late January.

**Mike**

6. **Memorandum Prepared by the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, January 7, 1964.

MEMORANDUM ON INDONESIA

We face two questions—one broad and one narrow:

A. *Broadly*, it is agreed that we should have a cool and firm policy of increasing opposition to Sukarno, if he goes on lifting the level of force used against Malaysia. This policy has already led to a reduction of 80% in our planned assistance to Indonesia for FY 1964. Further reductions should be made in this assistance, in PL-480, and in Pipeline deliveries if Sukarno does not cool off. All this has been made very plain to Sukarno and is agreed throughout the Executive Branch.

B. *Narrowly*, we have a question whether *all* assistance to Sukarno except goods in Pipeline and some PL-480 should *now* be cut off because of certain amendments to the Foreign Aid Act. Pros and cons are:

*For* the cut-off:

- (1) Nobody likes Sukarno, and with good reason.
- (2) Congress has expressed itself strongly.
- (3) A cut-off might show Sukarno consequences of "confrontation" with Malaysia.

(4) Cut-off protects the President from having to determine that assistance to Indonesia is "essential to the interest of the United States."

(5) Adverse consequences in Indonesia could be mitigated by "wind-up" assistance, by continued PL-480, and by continuing parts of Pipeline deliveries (all outside the reach of the amendment).

*Against* the cut-off:

(1) The programs we have planned are there now because we think them "essential to our national interest." They are there not because we like Sukarno, but because we are contending for the long-range future of a country of 100 million with great resources in a strategic location. The odds may be long, but the stakes are high, and our investment is small. A cut-off now could end our hopes by our own act. "Wind-up" assistance, PL-480, and Pipeline deliveries would probably not reverse the political effects of the cut-off in Indonesia.

(2) The right way to cut or increase these programs is by continuous Presidential judgment in a swiftly moving diplomatic situation.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. I, 11/63-4/64. Secret.

The President can control all the programs all the time. To let the amendment take effect now would be to cut out one part of the program at a quite arbitrary moment.

(3) Such a cut-off today could trigger a violent reaction from Sukarno and block efforts to settle dispute by Filipinos and Thais. It could also cost us half a billion of private investment. It could hand Indonesia's future to Communists. Aswan Dam case should remind us that neutrals are ready to seize on *our* acts to justify *their* outrages—and to some extent they get away with it.

(4) The Presidential Determination can be reasonably explained to the American people. A draft statement is attached at Tab A.<sup>2</sup> This draft aims to explain as much as possible to our own people without giving Sukarno excuses for wild actions.

McG. B.<sup>3</sup>

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<sup>2</sup> Tab A was not attached. (Ibid., National Security Council Meetings, Vol. 1, Tab 2, 1/7/64, Assistance to Indonesia)

<sup>3</sup> Printed from a copy that bears these typed initials.

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## 7. Memorandum From Secretary of State Rusk to President Johnson<sup>1</sup>

Washington, January 7, 1964.

SUBJECT

Aid to Indonesia

*Recommendation:*

*That you sign a determination that a carefully selected and reduced aid program in Indonesia, subject to review in light of developments, is essential to the national interest of the United States. We prefer the specific alternative statement of Presidential determination forwarded yesterday.*<sup>2</sup>

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, DEF 19 US–INDON. Secret. A handwritten note on the memorandum reads: "Hand carried to WH by Secy 1–7–64."

<sup>2</sup> Apparent reference to Tab A, Document 4.

*Reasons:*

1. For new aid obligations, Section 620(j) of the Foreign Assistance Act of 1963<sup>3</sup> provides: "No assistance under this Act shall be furnished to Indonesia *unless the President determines that the furnishing of such assistance is essential to the national interest of the United States.*"

2. Sukarno regards Malaysia as neo-colonialist and a threat to his security. He advocates "crushing" Malaysia and supports guerrilla activity in North Borneo. At the same time he continues to explore with the Thais and the Filipinos possibilities for ending the Malaysia dispute. The situation, while dangerous, is not hopeless.

3. We believe an aid cutoff would (1) risk a break of diplomatic relations by Sukarno and possible violent actions against U.S. personnel and interests; (2) endanger our foreign business investments there, including \$500 million American oil properties; and (3) deprive the West of the crucial moderating influence which Ambassador Jones has been able to exercise on Sukarno.

4. The Presidential determination we suggest would make possible a \$15 million AID/MAP Program for Technical Assistance, Civic Action, malaria eradication, training, and engineering and communications equipment. In the pipeline, not affected by your determination, are \$29.5 million MAP AID items. Details are in yesterday's memorandum.

5. I will advise you when aid should be stopped, under the terms of Section 620(i), because Indonesia is "engaged in or preparing for aggressive military efforts."

**Dean Rusk<sup>4</sup>**

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<sup>3</sup> See footnote 3, Document 4.

<sup>4</sup> Printed from a copy that bears this typed signature.

**8. Summary Record of the 521st National Security Council Meeting<sup>1</sup>**

Washington, January 7, 1964, 4 p.m.

**INDONESIA**

Director McCone gave a briefing on current developments in Southeast Asia, with special attention to the situation in Indonesia.

Secretary Rusk opened the discussion as to whether the President should determine that U.S. economic and military assistance to Indonesia is in the U.S. national interest. In an amendment to the Foreign Assistance Act, Congress required the President to make such a determination (see attached State Department paper).<sup>2</sup>

Secretary Rusk said it was not a good time for the President to sign a determination because of the situation existing in the area, i.e., Sukarno actively seeking to “confront” Malaysia by training and using guerrilla forces on islands now controlled by Malaysia. However, Secretary Rusk continued, the President cannot delay indefinitely taking the action required by the Congressional amendment. The Foreign Assistance Act was signed December 18 and Congress will expect Presidential action on the determination shortly. Sukarno is coming up to the watershed where he will have to decide either

(a) to pull back from his “confrontation.” We have no confidence that he will do so, but it would be possible for him to retreat via a decision to carry on his confrontation policy in an Asian context, i.e., not frontal opposition to the British as sponsors of Malaysia, or;

(b) to go ahead with his present policy. If he chooses the latter course, he might resort to open aggression against Malaysia. In such an event, our obligations under the Anzus Pact would be involved.

If we oppose Sukarno by cutting off all U.S. aid, he might react by confiscating extensive U.S. investments in Indonesia. In the case of a showdown, he might ask help from China and even Russia.

Secretary Rusk said Philippine President Macapagal will be talking to Sukarno in Manila this week. If he so chooses, he might be able to persuade Sukarno to hold back. Therefore, we should take no action today or this week which could have the effect of pushing Sukarno

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<sup>1</sup> Source: Johnson Library, National Security File, National Security Council Meetings, Vol. 1, Tab 2, 1/7/64, Assistance to Indonesia. Secret. Hilsman also took notes at this meeting. (National Archives and Records Administration, RG 59, Cabinet Files: Lot 68 D 350, CP-40, Cabinet Meetings, January 1964) Colby prepared a memorandum of this meeting on January 8. (Central Intelligence Agency, DCI (McCone) Files: Job 80-B01285A, Meetings with the President, 1 Jan. to 30 Apr. 1964)

<sup>2</sup> Apparent reference to Document 7.

into all-out aggression against Indonesia. If the law requires action, a temporary determination should be signed. Timing is an important part of the problem. We want to keep the U.S. in a position to influence Sukarno, but we must keep our good relations with Congress and not allow Congressmen to think we are disregarding the legal requirement they imposed upon us when the Foreign Assistance Act was amended. A determination restricting the scope of the assistance and limited in time would be one way to deal with the present situation.

AID Director Bell said a decision would be required within a few days. After citing the law, which was signed December 18, he said a determination must be made in a reasonable time.

Secretary McNamara recommended that the President sign the determination today and instruct all agencies to monitor closely the assistance now in the pipeline which would continue to be sent to Indonesia. He said he understood it was agreed that we would hold up aid amounting to approximately \$140 million. In the pipeline, there is \$50 million of aid, plus an additional \$25 million which is to be put into the pipeline. We should try to hold down this \$70 million of assistance but we should avoid the consequences to us of action terminating all aid immediately.

In response to the President's request for his views, Speaker McCormack said he had no confidence in Sihanouk. [Sukarno?] He recalled an address which Sihanouk made several years ago to a Joint Session of Congress as being the most supercilious speech ever made by a foreigner to the Congress. We must have supreme regard for our friends, i.e., the British, who have primary responsibility in the Malaysian situation. He admitted that the decision was a very close one, but he could not disagree with the reasoning contained in the State Department paper.

Secretary Rusk said no one in Washington disagreed with the Speaker's description of the unsavory character of Sukarno who is the least responsible leader of any modern State. He said allied solidarity in this situation is very important. He noted that neither the British nor the Australians are ready to break relations with Sukarno. Australia is continuing its aid to Indonesia in an effort to influence Sukarno to give up his confrontation with Malaysia. Our allies are agreed that the time has not yet come to break with Sukarno and conclude the situation is hopeless.

In response to the President's request, the Attorney General said that as long as the Indonesians are carrying on an active guerrilla campaign against Malaysia, any announcement that the U.S. was continuing aid to Indonesia would be a big boost to Sukarno. It would be interpreted as action in support of Sukarno despite Sukarno's present unacceptable behavior. If we must act, we should do so in such a way as to make clear that our action is not a vote of confidence in Sukarno.

The effect in the U.S. of continuing aid to Indonesia without a change in Sukarno's policy would result in confusing domestic opinion.

Secretary Rusk said that Ambassador Jones has already told Sukarno that the U.S. will provide no more aid unless the Indonesians turn away from the policy of confrontation. Jones has also said that if Indonesia is blamed as an aggressor, our obligations under the Anzus Treaty will come into play. He said he agreed with the Attorney General on the U.S. domestic reaction if we continue to give aid to Indonesia. However, it would be bad to act now before the situation is ripe. The stakes are very high. More is involved in Indonesia, with its 100 million people, than is at stake in Viet Nam. We will know much more about the situation and be in a better position to decide what to do in two weeks.

The Attorney General asked whether it was absolutely necessary for the President to make a determination now.

Director Bell said it was so far as approving any new obligations. A determination cannot be put off much longer even if the assistance we continue to give involves no new obligations.

The Attorney General asked whether we could continue as we were now doing for two more weeks.

Director Bell said that we could with some difficulty. He suggested that the determination be phrased in such a way as to permit the continuance of aid for a limited period of time. At the end of that period, a new determination could be made or aid could be halted.

Mr. McGeorge Bundy said that Congress would be asking very soon what the President was going to do about aid to Indonesia. In addition, there would be press inquiries. At stake were the Administration's relations with Congress. In response to the President's question, Mr. Bundy said he would recommend signing the determination but sending to Djakarta a tough man who would tell Sukarno that the President did not intend to continue assistance unless Sukarno halted the confrontation effort. He suggested the Attorney General as a Presidential emissary noting that the Attorney General had a reservoir of good will which was built up during a visit to Indonesia.

The Attorney General demurred and said he did not look forward to a trip to Indonesia.

Director McCone noted that in his view cessation of U.S. aid would not induce Sukarno to give up his effort to destroy Malaysia. He thought that a cutoff of aid would have very serious consequences for us, but would not alter Sukarno's opposition to Malaysia. Possibly there may be a solution in Sukarno's meeting with Macapagal in Manila. We should not write off the possibility of something coming out of Manila by making a decision now, even though further delay will probably cause criticism in the U.S. He recalled that in his meeting with Macapag-

al recently, he urged the Philippine President to meet with Sukarno. He agreed that a Presidential emissary should be sent to Sukarno but this should be done in such a way as not to impair the relationship which Ambassador Jones now has with Sukarno. He recommended that if action is necessary, a determination for a limited period of time should be signed.

In response to the President's request, Mr. Harriman recommended that a limited determination be signed, i.e., limited in scope. He believed that if a determination limited as to time were signed, then every thirty days we would have to go through the exercise all over again. He believed we should get the decision behind us now to avoid the issue coming up in Congress every time a fixed period ended. He predicted that some months would pass before we know exactly where we are in Indonesia. He favored continuing a limited program for keeping a foot in the door. If the Indonesians turn against us and seize U.S. investments, the Chinese Communists might get the U.S. oil companies, thereby altering the strategic balance in the area.

Secretary Rusk said the question was whether we decide to stay at the table and play a little longer rather than leave the table now.

Mr. Harriman noted that if Sukarno steps up his guerrilla warfare against Malaysia, we can charge him in the UN with aggression. Other political pressures are available to us.

Secretary Dillon said that the picture was indeed dark, but the U.S. should not force the issue now because this is the wrong time to act. We should continue the smallest amount of aid possible. This aid would serve as a protection to the U.S. investments in Indonesia. The determination should not be friendly and should make clear that our assistance was being continued for the time being, but not for a fixed period.

Secretary Rusk noted that if a determination were signed, this would not mean that at a later time we could not cut off aid if, for example, Sukarno was charged by the UN with aggression.

Mr. Sorensen asked whether the U.S. was giving aid to Malaysia.

Director Bell replied that no U.S. aid was now being given to Malaysia. The British are giving assistance. We decided that we did not have to start a program in Malaysia which, for an underdeveloped country, is comparatively well off.

General LeMay, as acting Chairman of the Joint Chiefs of Staff, favored the State-proposed program. He believed the U.S. should keep its foot in the door. He recommended that a decision be held off until after the Manila conference.

The President asked Secretary Rusk whether a decision had to be made now. He suggested that we could describe the current situation



to the Congressional leaders, telling them that no new aid was being provided, that aid in the pipeline would continue, and that the determination that this aid was in the national interest would be a temporary determination. We should inform Sukarno and Macapagal of our position and following the Manila meeting, and in the light of circumstances then existing, we could decide what to do.

Secretary Rusk agreed that it would be useful for us to take a reading following the Manila meeting. He said the problem had been brought to the President because the Department was aware of Congressional pressure on the President to make a decision. He agreed that we could inform the appropriate Congressional committees that we are holding off making a decision.

The President said we should talk to the appropriate Congressional committees, explaining our hope that a solution to the immediate problem caused by Sukarno's confrontation policy would be found. We should consider sending a Presidential emissary to talk to Sukarno and we should tell the British and the Australians what we are doing. As soon as we are able to take a new reading, and if the Congressional committees' reaction is satisfactory, we would be in a position to decide. Both the Secretary of State and the Secretary of Defense should talk to the Congressional committees in an effort to find out what they think. He said it would be a mistake to decide to cut off aid before we knew the outcome of the Manila conference. But, on the other hand, it was very difficult to say that aid to Indonesia under present circumstances is in the national interest.

Secretary McNamara thought we could avoid a determination for some weeks. He suggested that the Attorney General ask one of his lawyers to decide whether a Presidential determination is required now. If there is a difference among the lawyers, as appears to be the case, the Attorney General could decide which lawyer had the best case.

The President asked the Attorney General to take on this task. He said he did not want to be in the position of acting with lack of faith toward Congress.<sup>3</sup>

**Bromley Smith<sup>4</sup>**

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<sup>3</sup> The decisions taken at this meeting were included in NSC Action No. 2474, January 7. According to that record of action, Robert Kennedy was directed to prepare "an opinion of law" on whether a Presidential Determination was required for obligations incurred prior to the passage of the 1963 Foreign Assistance Act; the President directed Rusk, McNamara, and Bell to consult with appropriate members of Congress about the determination and U.S. relations with Indonesia; and directed Rusk to consider sending a personal representative to Sukarno. (Johnson Library, National Security File, National Security Council Meetings, Vol. 1, Tab 2, 1/7/64, Assistance to Indonesia)

<sup>4</sup> Printed from a copy that bears this typed signature.

**9. Letter From Secretary of State Rusk to Minister of External Affairs Barwick<sup>1</sup>**

Washington, January 9, 1964.

Dear Sir Garfield:

Thank you for your letter on the Indonesian problem.<sup>2</sup> Sir Howard Beale,<sup>3</sup> as you know, has already raised the question of a possible Malaysian request to establish an Australian military presence in Borneo, and our comments on the matter have been communicated to your Government through your Embassy in Washington.<sup>4</sup>

We have carefully reviewed the points made in your letter regarding Western economic aid and credits to Indonesia. It seems to me that we are in full agreement concerning the aid programs of our respective countries and are, in fact, following parallel courses. As you know, our economic aid to Indonesia is currently confined to on-going programs of technical assistance, training, etc., and to shipments of surplus agricultural commodities under our existing three-year Public Law 480 agreement with Indonesia. We are also continuing a modest program of military aid, although we have stopped all shipments of arms and ammunition and intend to concentrate the program almost entirely on training and on support for the Indonesian civic action program. We have no plans to expand any of our aid programs unless there is a significant change in Indonesia's confrontation policy against Malaysia.

We, too, have been watching with interest the current Indonesian search for aid, credits and new entrepot facilities to help them overcome the effect of confrontation on their already shaky economy. As far as we can determine, their search has not been successful to date in attracting resources sufficient to have an appreciable impact in easing their economic problems. I understand that they have found a few sources of credit, and are working on various arrangements to by-pass Singapore with their foreign trade. No major foreign aid from Western Europe or Japan seems to be in prospect at present, however.

I agree fully that it is essential to disabuse Sukarno of any thought that the West will inevitably bail him out of his difficulties no matter how intolerable his actions. Certainly this is no time to consider, or to

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US. Secret. Drafted by Ingraham and Thrasher and cleared by Bell and Barnett.

<sup>2</sup> Garfield's December 16, 1963, letter is *ibid*.

<sup>3</sup> Australian Ambassador to the United States.

<sup>4</sup> Apparent reference to an exchange between Beale and McGeorge Bundy and a paper handed to Beale. See *Foreign Relations*, 1961-1963, vol. XXIII, Document 343.

encourage any of our friends to consider, actions in the economic field which would tend to give him that impression. At the same time, I must admit to a lack of optimism that the pressures of economic deterioration, however severe they may become, will necessarily force Sukarno to moderate his policies. Based on his past performance, such pressures might instead goad him into even greater irrationality unless carefully applied.

I do not mean to imply that we should refrain from adding economic pressures and inducements to the other tools we are using in our efforts with Sukarno. We are employing these tools, of course, and will continue to do so. In this connection, you probably know that we recently responded to urgent Indonesian requests for additional surplus rice by offering to provide them with the amount (roughly 40,000 tons) to which they were already entitled under our existing agreement with them. This move has had the effect of completing all rice deliveries to which we are committed under the agreement. We took advantage of the occasion to make entirely clear to the Indonesians that the supply of any further surplus rice next year will be contingent upon an easing of their policy of confrontation regarding Malaysia.

While I believe we should use economic pressures and inducements actively, I would hesitate to suggest that they be applied to the point of isolating Indonesia economically from the West. To the contrary, it seems to me that Indonesia's mounting difficulties offer us an opportunity to obtain the long term advantages of an expanded Western equity in the Indonesian economy without either significantly strengthening Indonesia's ability to withstand the effects of confrontation or encouraging Sukarno to believe that the West is willing to bail him out. For this reason, I would not object to modest moves by Japan and by Germany, the Netherlands, France and other Western nations to expand their economic and commercial relations with Indonesia. As long as those activities remain within the limits now foreseen—short and medium term credits, commercial arrangements for the marketing of Indonesia's exports, and an increase in private investment in Indonesia—I feel that we should interpret them as essentially beneficial to our mutual interests. They provide an alternative to an all-out turn to the Bloc for aid, a constant reminder to Sukarno of his country's continuing economic reliance on the West, and a certain restraint on his actions. Over the longer term, particularly in the post-Sukarno era, the lodgments gained in the Indonesian economy could well become an important factor in reorienting the country.

As we see the problems raised by Indonesia's confrontation policy, they fall into two essentially different spheres. On the one hand there is the aggressive and dangerous paramilitary activity in Borneo, the subversion in West Malaysia, the virulent propaganda campaign, the

break in transportation and communications with Malaysia, and the cessation of bilateral trade between them. This aspect of confrontation is the one we are trying to modify and eventually to eliminate. On the other hand, there is the Indonesian effort to divert its trade from Singapore and eliminate the country's economic dependence on the Singapore entrepot. Even if we succeed in ending the political-military confrontation, I doubt that the Indonesian drive to by-pass the Singapore entrepot will ever be reversed. Rather than attempting fruitlessly to force a reversal, our best course may be simply to recognize it as a fact of life and take what steps we can to insure that the new trade relationships the Indonesians will inevitably establish are those best calculated to serve the interests of the West.

I do not believe that the foregoing is incompatible in any major sense with the views expressed in your letter. The difference, if any, would seem to be one of emphasis. You can be sure that we do not intend to use our resources, or encourage the use of our friends' resources, in such a way as to aid or abet Sukarno in his policy of confrontation.

I might conclude by saying that I fully understand the anxieties which are felt by your Government and among your people about trade and aid to a country which seems to be creating a dangerous situation in your part of the world. We ourselves are taking casualties every week in South Viet-Nam and we are quite clear that Peiping and Hanoi are the moving forces behind aggression against that country. Just before Christmas, for example, seven tons of Chinese-made arms and ammunition were captured in a Viet Cong depot in the delta. We have here, therefore, both in the Congress and among the public, real sensitivity about trade and aid as they affect Peiping and Hanoi in the absence of a peaceful policy by those two capitals.

With warm regards,  
Sincerely,

**Dean Rusk<sup>5</sup>**

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<sup>5</sup> Printed from a copy that indicates Rusk signed the original.

**10. Telephone Conversation Between President Johnson and Senator Richard Russell<sup>1</sup>**

Washington, January 10, 1964, 1:25 p.m.

[Here follows discussion unrelated to Indonesia.]

Johnson [hereafter LBJ]: McNamara doesn't act to me like he goes much with these State Department policies. He is the only one that stayed with me on Indonesia. Now we got it down from 35 million to 15 million, and I refused to go under 15 million, and they say, well, I'm going to pull out and break away, and cause us not to have any relations at all, and we can't move away from the table if we expect to bid on the pot, and so now I have turned it all down though, and concluded that Bobby Kennedy would have to give us a legal opinion on whether this stuff is in the pipeline.

Russell [hereafter RR]: Let that thing cool for a while. The Russians can't get in there to help them.

LBJ: Whether this money in the pipeline constituted a violation of the act of Congress, I don't think it does. You see this damn Republican put a prohibition in there unless I made a finding it was in the national interest. So they want me to make a finding, and I put it off on the theory that I haven't made any new allocations. And that all that is going to them [the Indonesians] was in the pipeline. And I couldn't stop that without going out there and sinking the ships. And now I am going to send Bobby Kennedy to Indonesia and just let them put it right in his lap.

RR: Tell him to be tough, too.

LBJ: I think he will.

RR: Like he was in Los Angeles.

LBJ: Well, he wasn't so tough last time he saw Sukarno. He took it [West New Guinea] away from the Dutch and gave it to Sukarno, didn't he?

RR: Yeah, yeah. He sure did.

LBJ: But I think I'll just put it in his lap, don't you think so?

RR: Well, it's subject to your final decision, of course, you can't afford.

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<sup>1</sup> Source: Johnson Library, Telephone Recordings and Transcripts, Recording of a conversation between Johnson and Russell, F64.4, PNO, side B. No classification marking. This transcript was prepared by the Office of the Historian specifically for this volume.

LBJ: Oh no, I mean just let him go out there. First let him determine that it is legal for me to do this, and number two, let him go out there and have whatever row there is with Sukarno.

RR: I think that's fine.

LBJ: I don't think you can get any good out of Sukarno.

RR: No, I don't believe he is any good.

LBJ: I don't trust him. I don't think he is any good.

RR: No, he isn't. Not at all.

LBJ: But if we are going to have a break, let him [Sukarno] break it.

RR: That's exactly right.

LBJ: All right, good-bye.

RR: I'm proud of you.

LBJ: Bye.

# 11. Telephone Conversation Between President Johnson and the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>

Washington, January 10, 1964, 6:30 p.m.

McGeorge Bundy [hereafter McGB]: Yes sir?

Johnson [hereafter LBJ]: Shouldn't I call Bobby on the Indonesia thing,<sup>2</sup> or have you already called him?

McGB: I've talked to him, Mr. President, and told him you wanted him to go, but before he goes, Mr. President, he has got to talk to you. We're generating various bits of paper and instructions. I think there ought to be a meeting tomorrow<sup>3</sup> and it's entirely up to you to say

<sup>1</sup> Source: Johnson Library, Telephone Recordings and Transcripts, Recording of a conversation between Bundy and Johnson, F64.04, PNO 5, side B. No classification marking. This transcript was prepared by the Office of the Historian specifically for this volume.

<sup>2</sup> At 4:50 p.m. on January 9, McGeorge Bundy and the President discussed the "Indonesia thing." Bundy informed the President that he did not believe the situation was as urgent as originally thought and suggested that they should not "make a major step until we know exactly what Macapagal and Sukarno had done." Bundy informed the President that John Richardson would visit Macapagal. Bundy suggested delaying the matter for two or three weeks. The President was not convinced and insisted that Robert Kennedy see Sukarno as soon as possible. Bundy demurred and suggested that he would try to "get it cranking." (Ibid.)

<sup>3</sup> No record of such a meeting has been found.

whether you want to be there. I think it'll be grand if you would, but I think we can do half of it before you join us, and I think we can probably get it into final paper where Bobby could come and call on you before he goes, which I think is the right way to do it. I just hung up from talking to him, I was talking to him when you called.

LBJ: When's he going?

McGB: We don't know, Mr. President. We've got a flash wire out to tell Sukarno we want to do this,<sup>4</sup> but we can't send Bobby if Sukarno says to hell with it. We have to pin down where Sukarno is going to be, which we haven't got 100% certain. He's still in Manila now and our Ambassador in Manila is under instructions to tell him that you now think it's of high urgency that this matter be discussed in the most serious way and that your proposal is that the Attorney General whom he knows come out and do this. That's on the wires.

LBJ: All right. O.K. Let me know. I don't want to have any meetings tomorrow that I can avoid, but if he is going tomorrow.

McGB: No, Mr. President. I don't know if he's going tomorrow or Sunday. We'll have the meeting anyway tomorrow, and then we'll let you know where we are after that, if that's O.K. You going to be here or you going to get up the country, or what?

LBJ: I might go up to Camp David, or here. I'm not sure.

McGB: Why don't you follow your instinct to Camp David and Bobby can come up there and say goodbye.<sup>5</sup> I think the fact that you see him as he leaves is going to be very important, but it's got to be awful clear that he's a Presidential emissary.

LBJ: We'll do that. O.K.

McGB: Right, sir.

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<sup>4</sup> Telegram 960 to Manila, January 10. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 7 US/KENNEDY)

<sup>5</sup> Robert Kennedy did not meet with the President at Camp David on January 11. He, along with McNamara, Harriman, McCone, and McGeorge Bundy, met with the President from 10:30 to 10:50 a.m. on January 14; Kennedy then met alone with the President from 10:50 to 11:30 a.m. (Johnson Library, President's Daily Diary) For McCone's account of the meeting, see Document 15.

**12. Memorandum From the President's Special Assistant for National Security Affairs (Bundy) and Michael V. Forrestal of the National Security Staff to President Johnson<sup>1</sup>**

Washington, January 12, 1964.

**SUBJECT**

The Attorney General's Trip and a Presidential Determination on Assistance to Indonesia

Further analysis of the problems involved in your making the determination required under the Broomfield Amendment to the Foreign Assistance Act of 1961<sup>2</sup> suggests that you have two major alternative courses of action:

1. You can make a determination now which legally would stand for an indefinite period until you decided formally or informally to review it. Such a determination would explain that you were keeping in close and personal touch with the assistance programs and were instructing all agencies of government to keep you fully informed. The advantage of this procedure is that it relieves you once and for all of the necessity of having to make another formal determination at a later date (i.e., after the Attorney General's return) when the political impact might be greater. It would also have the advantage of being blanketed by your separate announcement of the Attorney General's trip and the Manila communiqué. It also somewhat improves the Attorney General's bargaining position, since otherwise Sukarno may well take the position that we are using the determination as a lever, which of course is "unacceptable" to proud neutralists.

The disadvantage of this course would be that you are making this decision before the Indonesians have given any concrete evidence that they are prepared to dampen down their military confrontation in North Borneo.

2. You can decide to defer this whole matter until some time after the Attorney General returns, perhaps for as long as two months from now. You could continue existing programs under an opinion which you have received from the Attorney General to the effect that you have a "reasonable" time in which to review the situation in light of

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. I, 11/63-4/64. Secret. Forrestal sent Bundy a memorandum on January 10 describing the alternatives to the Presidential determination worked out by Justice and the Agency for International Development and suggesting that the second alternative would "work in light of the A.G.'s trip." (Ibid.)

<sup>2</sup> Section 620(j) of the Foreign Assistance Act of 1963, see footnote 2, Document 4.



the new Congressional policy. Aside from giving you more time to consider the issues, the advantage of this procedure would be to show that you have taken the Congressional mandate so seriously that you have dispatched a special emissary of Cabinet rank for discussions with Sukarno, and that you are deferring your final decision until his return. The disadvantage is that the making of such a determination at that time will attract greater political attention, since it will reflect an informed decision reached by you after two months' review of the facts and a report from the Attorney General on his mission. It would not be possible to argue that a quick determination was required in order to continue the reduced assistance programs that are now in progress. This second course is also somewhat more open to political attack as an evasion of the legal requirements of the amendment.

The possibilities of a temporary determination at this time, or a flat determination to continue assistance without explanation have been rejected as having most of the disadvantages and few of the advantages of the two courses set forth above. The majority of your principal officers seem now to favor course No. 1. A draft memorandum from you to the Secretary of State making such a determination is attached.<sup>3</sup> If you decide on course No. 2, no formal memorandum of any kind is needed.

**MVForrestal<sup>4</sup>**

**McG. B.**

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<sup>3</sup> There is no indication on the memorandum which course of action the President decided upon, but the attached determination, not printed, was never released. For the decision to postpone the decision, see Document 29.

<sup>4</sup> Printed from a copy that bears this typed signature and initials.

**13. Memorandum From the Executive Secretary of the Department of State (Read) to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, January 13, 1964.

**SUBJECT**

Memorandum for the Attorney General's Meeting with Sukarno of Indonesia

There is enclosed a memorandum for the Attorney General's meeting with President Sukarno. This memorandum will be discussed at a meeting in the White House on January 14.<sup>2</sup>

**Benjamin H. Read<sup>3</sup>**

**Enclosure**

**THE ATTORNEY GENERAL'S MEETING WITH SUKARNO**

The President has instructed the Attorney General to meet Sukarno in Tokyo. The purpose of the trip is two-fold. The first purpose is to make completely clear the consequences for United States-Indonesian relationships<sup>4</sup> if Sukarno continues his present policies toward Malaysia. The second is to further the over-all United States objective of getting the Indonesians, Malaysians and Filipinos to sit down together for talks looking toward an "Asian solution" of the dispute. Depending on the progress made with Sukarno, the Attorney General may be asked to continue on to Manila, Kuala Lumpur and London—the latter being particularly important if Sukarno is at all forthcoming.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, ORG 7 JUS. Secret. Drafted by Cuthell, cleared with Bell, Hilsman, and in draft with Harriman.

<sup>2</sup> The President met with Robert Kennedy, Rusk, McNamara, Harriman, McCone, and Bundy on January 14 from 10:30 to 10:50 a.m. (Johnson Library, President's Daily Diary) See Document 15.

<sup>3</sup> Printed from a copy that indicates John A. McKesson signed for Read.

<sup>4</sup> A copy of this memorandum was sent to McNamara. At this point McNamara added the following handwritten note: "What consequences should he [illegible—hit?] to—inevitably Aus[tralian?] forces and we will have a serious prob under ANZUS treaty; UN will be drawn in [,] aid must stop—we would be forced to support anti-Indo forces [illegible—North?]" McNamara also put the following comment at the top of the memorandum: "lack bite[,] stick and carrot." (Washington National Records Center, RG 330, OSD Files: FRC 69 A 7425, Indonesia)

There are a number of ways in which a satisfactory solution might come about, and it is unnecessary—perhaps even useless—to try at this stage to be precise about how events might move toward such a solution. However, for purposes of illustration, it might be helpful to set down the following as one way in which a satisfactory solution might eventuate:

1. Since it is unreasonable to expect Tunku to negotiate with a pistol at his head, Sukarno agrees to call off all *military "confrontation"* entirely. If this cannot be done he agrees to at least a cease-fire during which talks can begin.
2. In exchange for Sukarno's abandoning military "confrontation", the Tunku agrees to talks without pre-conditions—i.e. the Tunku drops his present condition that talks shall constitute recognition of Malaysia.
3. The British agree to the above and also to some lessening of their military "presence" on the Borneo border.
4. It is highly desirable that the solution coming out of the tripartite talks be one that the participants themselves develop. But one form that this might take but which we should not mention to any of the participants is for the Malaysians to guarantee to do in North Borneo exactly what the Indonesians do in fulfillment of their UN pledge for a "plebiscite" in West New Guinea—but only if there is no subversive or guerrilla warfare in the intervening five years.

#### *The Situation*

Sukarno has refused to accept the existence of Malaysia. Although he had given us assurance he will not engage in open attack, he has mounted guerrilla action and a political and economic campaign to destroy the state or alter its nature. His precise objectives are unclear to us—and probably to him as well,—but they probably are to: 1) as a maximum, detach the Borneo states from Malaysia and establish a more sympathetic regime in Kuala Lumpur; 2) as a minimum, implement a formula that would allow the Borneo states to remain within Malaysia but permit Sukarno to claim a public victory over his opponents and give him an opening for future attempts to assert domination over Malaysia; 3) eliminate British influence in the area; and 4) prevent possible Chinese take-over on Indonesia's borders.

Whatever his actual purpose, Sukarno's campaign of confrontation has led to an increasingly serious threat to the peace of the region. The British: 1) have assumed responsibility for Malaysia's defense against Indonesia; 2) are suffering losses from Sukarno's guerrillas; 3) are being forced to move in more military resources than is convenient; 4) have consistently been trying to get us involved in order to share the burden with them; and 5) are fast losing both patience and objectivity. The Australians, also committed to defend Malaysia, are holding back, as they do not want to come into direct conflict with their large and close neighbor. They hope that some sort of *modus vivendi* can be worked out with the Indonesians. Under growing British pressure to commit

troops to Borneo, however, they will find it increasingly hard to stay out if the guerrilla attacks continue.

The implications for us are two-fold. In terms of our general interests, the outbreak of open hostilities between Britain and Indonesia would have a potentially disastrous effect on the security of the area, on relations between the West and the neutralist Afro-Asians, and on the future orientation of Indonesia. In terms of our specific commitments, hostilities between Australian and Indonesian forces in Borneo would enable the Australians to invoke the ANZUS pact and call upon us for direct intervention against Indonesia.

### *Purpose of the Meeting*

The danger in the situation has primarily arisen from Indonesian military guerrilla action, although mishandling, blunders, inflexibility and cupidity on part of various of the other parties—the British, Malaysians and Filipinos—have contributed substantially. If the dangerous deterioration is to be reversed, Sukarno must be induced to take the first step. That step must be the cessation of military activity against Malaysia. This by itself would leave the dispute far from resolved, but it would create an atmosphere in which further initiative could eventually bring about a tolerable solution.

The task of inducing Sukarno to abandon military confrontation will be difficult, since it will require him to give up not only his most potent weapon against Malaysia but also by implication, his maximum objectives toward it. Abandoning military confrontation will also force him to reverse a policy to which he has publicly pledged himself, which will be excruciatingly difficult for one with Sukarno's ego. There are, however, factors already pushing him toward an easing of tensions. Indonesia's economy is under severe strain and worse is in sight. The foreign aid on which Indonesia has relied for a decade is drying up, largely because of "confrontation", and no major injections from either East or West are in the offing. Aside from lukewarm Philippine support and the propaganda backing of the Bloc, Sukarno has attracted no outside support for his campaign and a great deal of international censure. With a few exceptions (confiscation of British property in Indonesia, severance of relations with the UK), he has already committed virtually all the weapons at his disposal without bringing down Malaysia, and seems to be at somewhat of a loss as to his next move. Although willing to run very high risks, he knows that the British-Australians are far too strong for him and that he cannot deliberately provoke an open conflict.

Our basic leverage with Sukarno is the fact that, however cavalier he is with American sensibilities, he is demonstrably anxious to retain

United States friendship. He wants and needs our aid; he relishes the prestige of dealing with us as an “equal”; and he certainly senses the manifold disadvantages to Indonesia of a serious breach with the world’s most powerful nation. But if given no alternative other than a humiliating public defeat, he would probably be willing to break with us. Our leverage thus is substantial but limited.

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**14. Memorandum From Michael V. Forrestal of the National Security Council Staff to President Johnson<sup>1</sup>**

Washington, January 13, 1964.

SUBJECT

The Attorney General’s Trip to the Far East

At Tab A you will find a memorandum discussing arguments for and against a Presidential Determination on assistance to Indonesia at this time.<sup>2</sup> At Tab B you find a draft background guidance for the press on the trip,<sup>3</sup> and at Tab C the Department of State’s suggested instructions for the Attorney General.<sup>4</sup>

The State Department’s instructions describe the purpose of the meeting with Sukarno and can be summarized briefly as follows:

1. The main purpose of the trip is to get across as forcefully as possible to Sukarno that the policy of military confrontation which he is pursuing against Malaysia will have disastrous consequences for our relations with his country. This is not the case of West New Guinea. The reaction among the American people against Indonesia is already so strong that the possibility of maintaining any of the cooperative programs which we have established over the years is becoming remote. If hostilities should escalate and the Australians become involved, Sukarno will find us and the rest of the civilized world necessarily aligned against him.

In short, the Attorney General will use every possible argument to persuade Sukarno to abandon his military activities in Borneo completely, or, at least, agree to a cease-fire.

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<sup>1</sup> Source: Central Intelligence Agency, DCI (McCone) Files: Job 80–B01285A, Meetings with President, 1 January–30 April 1964. Secret.

<sup>2</sup> See Document 12.

<sup>3</sup> Attached, but not printed.

<sup>4</sup> See attachment to Document 13.

2. The second objective of the visit is to bring Sukarno, Macapagal and Tunku back to the negotiating table. If Sukarno gives reasonable assurance that he will abandon or suspend his military activities, then the Attorney General will proceed to Manila and Kuala Lumpur in an effort to encourage the leaders in these two capitals to meet as quickly as possible. The Attorney General will not himself attempt to negotiate their difficulties; his job is to help clear away obstacles to the three of them getting together and coming up with an Asian solution.

3. If the talks have gone well this far, the Attorney General will go on to London. His purpose there is to tell the British the results of his talks in the Far East and to persuade them to support whatever arrangements for an early meeting of the three Asian leaders he has been able to work out.

**Mike**

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## 15. Memorandum of Meeting<sup>1</sup>

Washington, January 14, 1964.

### SUBJECT

To discuss Attorney General's trip to visit Sukarno

### IN ATTENDANCE

The President, Secretary McNamara, Gov. Harriman, Mr. Bundy, Mr. McCone, Mr. Forrestal, Mr. Sorensen<sup>2</sup>

Arrangements have been completed for a meeting on Saturday, January 18th, in Tokyo with Sukarno and Subandrio and in all probability, Nasution.

It was decided that no Presidential finding as required under the Gruening amendment would be made prior to the meeting.

AG's terms of reference were reviewed and modified to meet the wishes of the President and to incorporate some suggestions made.

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<sup>1</sup> Source: Central Intelligence Agency, DCI (McCone) Files: Job 80-B01285A, Meetings with the President, 1 January-30 April 1964. Secret. Transcribed by McCone. Copies were sent to Deputy Director of Central Intelligence Marshall S. Carter and Helms.

<sup>2</sup> Attorney General Robert F. Kennedy also attended this meeting.

Messages from [less than 1 line of source text not declassified] were noted.<sup>3</sup> Harriman pointedly stated that reports were excellent, he was deeply appreciative, and [less than 1 line of source text not declassified] had made an important contribution to the AG's mission. The AG and Bundy and Forrestal all concurred.

[less than 1 line of source text not declassified] of FE will accompany the AG as will Forrestal and others. Itinerary not definitely scheduled but tentatively leave late night January 14th, spend several hours in Honolulu, then proceed non-stop to Tokyo.

Following actions are required:

1. [less than 1 line of source text not declassified] to prepare concise memorandum of exactly what the AG can reveal to Sukarno, et al, concerning our knowledge of their guerrilla and military preparations and plans.<sup>4</sup> (Note: Care must be taken not to blow sensitive sources but statement must be made as comprehensive as possible.)

2. [less than 1 line of source text not declassified] to have full file including classified information for review by AG and Forrestal when and as required.

3. [3 lines of source text not declassified]

4. [less than 1 line of source text not declassified] to be instructed proceed to Tokyo and be available to brief AG on further details of the [less than 1 line of source text not declassified]–Macapagal meeting and to be available to AG to extent requested, including returning with him to Manila if AG wishes [less than 1 line of source text not declassified] present for the AG–Macapagal meeting. (Note: I personally question necessity for this but leave matter at AG's discretion.)

Note: I see no reason for extensive [less than 1 line of source text not declassified] reporting although some developments during the trip may be of special interest to us and [less than 1 line of source text not declassified] should be instructed accordingly. Also probably advisable to alert [less than 1 line of source text not declassified] to report promptly any matters of interest which might develop in the next 2 or 3 days, particularly relating to Subandrio's and Nasution's views as the AG–Sukarno meeting is now public and will have been reported in Indonesia.

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<sup>3</sup> In telegram 960 to Manila, January 10, the Department of State informed Stevenson that [text not declassified] would be stopping off in Manila for a discussion with Macapagal on the Malaysia dispute. An old friend of Macapagal, [text not declassified] was instructed to use his private meeting with Macapagal as a means of getting useful information to Robert Kennedy. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 7 US/KENNEDY) The report of [text not declassified] discussion with Macapagal on January 13 is in telegram 1020 from Manila, January 14. (Ibid.)

<sup>4</sup> Not further identified.

**16. Instructions From the President's Special Assistant for National Security Affairs (Bundy) to Attorney General Kennedy<sup>1</sup>**

Washington, January 14, 1964.

The central purpose of this trip is to convince Sukarno of the inevitable consequences of the policy of military confrontation which he is now following toward Malaysia.

This policy will have disastrous consequences for our relations with his country. Malaysia is not West Irian. The reaction here against Indonesia is already so strong that it has become difficult for the President to maintain any of the cooperative programs established over the years.

The recent Foreign Aid Act contains two amendments which reflect this American feeling. While the President would like to be able to continue certain assistance programs for Indonesia under this Act, he cannot make the necessary determination that such assistance is in the interest of the United States unless:

a. Sukarno can give you assurances that there will be a shift away from military confrontation, and at a minimum by agreement to a cease-fire pending negotiation.

b. There can be an understanding that the determination will not be followed by further military actions against Malaysia which would make a mockery of the President's decision.

A still more serious evidence of American feeling is the Gruening Amendment, under which, if there were aggression or a preparation for aggression, the United States would have to cut off all assistance of every sort. The President hopes that your visit may be able to produce clear understandings that will avoid any need to apply this amendment.

In the wider sense, a policy of military confrontation with Malaysia seems bound to lead Indonesia toward hostilities with neighboring nations. This will certainly bring the case before the United Nations in circumstances in which Indonesia would<sup>2</sup> be considered the aggressor by the Secretary General and most members of the United Nations

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<sup>1</sup> Source: Johnson Library, National Security File, Files of Robert W. Komer, Malaysia, December 63–Mar 66. Secret. This document was originally described as "draft instruction," but Komer crossed out those words. The text has revisions in McGeorge Bundy's hand (see footnotes below) and was probably sent to Tokyo over non-Department of State channels.

<sup>2</sup> At this point Bundy replaced the following phrases: "have very little support among members or from the Secretary General. The United States too would necessarily be aligned against Indonesia;" to read "be considered the aggressor by the Secretary General and most of the United Nations including the United States."



including the United States. Both our countries would stand to lose everything we have invested in cooperation, and what began as a confrontation between Indonesia and Malaysia could end as a confrontation between Indonesia and the United States.

In short, you should use every possible argument to persuade Sukarno to abandon his military activities in Borneo completely, or at least, agree to a cease-fire.<sup>3</sup>

The second object of this visit is to bring Sukarno, Macapagal and Tunku back to the negotiating table. If Sukarno gives reasonable assurance that he will abandon or suspend his military activities, then you should proceed to Manila and Kuala Lumpur in an effort to encourage the leaders in these two capitals to meet as quickly as possible. You should not yourself attempt to negotiate their difficulties; your job is to help clear away obstacles to getting the three of them together to work out an Asian solution.

If the talks have gone well this far, you will go on to London. Your purpose there is to tell the British the results of your talks in the Far East and to persuade them to support whatever arrangements for an early meeting of the three Asian leaders you have been able to work out.

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<sup>3</sup> Bundy indicated that the following two sentences should be omitted: "If you are successful, our mission will provide a reasonable basis for a carefully limited determination that assistance to Indonesia is in the national interest. If Sukarno gives no satisfactory response, we shall have an equally clear basis for ending assistance to Indonesia."

**17. Telegram From the Embassy in Japan to the Department of State<sup>1</sup>**

Tokyo, January 17, 1964, 8 p.m.

2109. President Sukarno agreed to stop military confrontation on Kalimantan border as preparatory step to holding tripartite meeting of representatives Malaysia, Indonesia, Philippines. This followed hour and a half exchange of views in which Attorney General Kennedy pointed out serious dangers involved in escalation military confrontation and US concern that peaceful settlement be reached in this dispute.

Attorney General informed Sukarno he would discuss arrangements for tripartite meeting with Tunku when he visited Kuala Lumpur next week. He told Sukarno it was unreasonable to expect Malaysians to come to a meeting to settle this dispute so long as military confrontation continued. He agreed to notify Sukarno through Amb Jones on Wednesday, January 22, following his discussions with Tunku of Tunku's views.

For his part Sukarno said he would return to Djakarta on Monday<sup>2</sup> and at meeting of motion Tuesday would initiate preparations to call off military confrontation. If reply from Tunku favorable, Sukarno would issue public statement on Thursday. General Jani, who was present, said so far as regular Indonesian military was concerned this could be done in matter of hours. But he explained communication with guerrilla units inside Kalamantan was more difficult and might take as long as a week. Attorney General emphasized importance of starting immediately in order to avoid possible incidents and to help him convince Tunku Indos were sincere. Sukarno pointed out that British would of course also have to agree to cessation of hostilities. Attorney General concurred but emphasized that Indos were responsible for [garble—situation].

In his discussion of mutual withdrawal of troops from border, President Sukarno proposed inspection by representatives neutral nation. Attorney General pointed out that actual cessation of hostilities was more important than a supervised withdrawal. Furthermore, word of both leaders was good enough and this was matter which did not require unnecessary complication by formal procedures. Understanding was reached that ministerial level talks would precede summit meeting.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret; Flash. Repeated immediate to Canberra, London, Kuala Lumpur, Manila, Singapore, Djakarta, Hong Kong, and Bangkok. Passed to the White House.

<sup>2</sup> January 20.

Statement by Sukarno would be to effect that under Manila Agreement three nations were expected to meet in consultation and in order to facilitate such meeting Indonesia would suspend military activities in Kalimantan.

Meeting was held in cordial atmosphere.<sup>3</sup> Discussions will continue tomorrow at 1100.<sup>4</sup>

**Reischauer**

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<sup>3</sup> In a telegram received over non-Department of State communication channels, Forrestal, who accompanied Robert Kennedy, reported to Bundy that the meeting with Sukarno "went off surprisingly well" and was accurately reported in this telegram. Forrestal suggested that although there were no guarantees, Sukarno seemed anxious to satisfy the United States and perhaps extricate himself from danger of escalation into a serious war. Forrestal feared Robert Kennedy would have a more difficult time in dealing with officials in Kuala Lumpur and London. (Telegram from Tokyo, January 17; Johnson Library, National Security File, International Meetings and Travel, Attorney General's Trip [1/64])

<sup>4</sup> In telegram 1845 to Tokyo, January 17, the Department noted that the report of the first Robert Kennedy–Sukarno meeting was "most encouraging," but suggested that it was important to get "Sukarno as firmly tied down as possible on how he will call off military activity." (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA)

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## 18. Telegram From Michael V. Forrestal of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>

Tokyo, January 18, 1964, 0606 Z.

From Forrestal to McGeorge Bundy, John [Robert] Komer, Governor Harriman and Roger Hilsman.

President Sukarno and his Japanese wife gave breakfast for Bobby and Ethel [Kennedy] and their party this morning at Imperial Hotel. Sukarno and his associates extremely friendly even lighthearted. This was followed by business meeting results of which are reported State tel.<sup>2</sup>

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<sup>1</sup> Source: Johnson Library, National Security File, Files of Robert W. Komer, Malaysia, Dec.–Mar., 1966. Secret; Flash. Not sent over Department of State communications channels.

<sup>2</sup> See Document 19.

At this point it would seem that Bobby has accomplished one half his mission much more successfully than any of us thought possible. It is quite clear that this form of personal diplomacy is the key to doing business with Sukarno. We have known this in theory for some time, but it has to be seen to be really understood.

The other half of the job may be much more difficult and will require support from Washington. Although Bobby has briefed the British Ambassador in Tokyo fully both before and after meeting yesterday and has given general briefing to Malaysian and Australian envoys, it seems probable that three major pitfalls still remain.

1. Tunku may insist on agreement by Indos to recognize Malaysia before any meetings and British may support him in this.
2. This morning it was not entirely clear whether Sukarno would insist on announcing Tunku's agreement to meet publicly at same time he announces stand-down of hostilities in Kalimantan.
3. Incidents may flare up on either side during Bobby's swing.

Since Bobby is going to Djakarta after Kuala Lumpur, problems 1 and 2 can still be handled in the context of the current talks. But problem 3 cannot. Part of difficulty will be Indos lack of complete control over guerrillas inside Sarawak. Part will be natural British desire to mop up during cease fires. Our job will be to try to keep both from allowing unnecessary accidents to occur. In connection with all these problems we might keep in mind the British have at least two plus cards to play. The ships and spare parts in Hong Kong are one card. Another card is approval of Maphilindo. Sukarno said that British were unalterably opposed to and contemptuous of Maphilindo. It should not cost Brits very much to make statement in support of Maphilindo as an Asian concept at useful time. We should chivvy British into willingness to hold some gesture in reserve in case we need them to help break an Indo-Malaysian impasse. In the meantime they must refrain from making statements or taking actions which could set back progress made to date.

President should know that Bobby has done magnificent job not only with Indos but also in keeping British fully informed. One thing Department should consider before asking Bobby make too many stops en route London is need to get Brits on board quickly.

**19. Telegram From the Embassy in Japan to the Department of State<sup>1</sup>**

Tokyo, January 18, 1964, 3 p.m.

2118. A short substantive talk Saturday<sup>2</sup> morning followed very cordial breakfast meeting.

Attorney General said that he had had talks with British and Malaysian Ambassadors and that Ambassador Jones had talked to Australian Ambassador. All three seemed to be encouraged.

Attorney General outlined his plans as follows: will go to Philippines Sunday night, Kuala Lumpur Tuesday morning and then London. Sukarno asked if he could not come to Djakarta and Attorney General agreed one day visit beginning Wednesday. Attorney General promised to give Sukarno further report through Ambassador Jones following his visit to London. In this connection he said it was most important that everybody understood our position, he pointed out that we have treaty commitments in the area and that our attitudes would necessarily be influenced by whether or not all accepted the proposal for cease-fire followed by tripartite meeting.

The Attorney General said only matter that seemed to remain undecided was the question of being sure that the situation remained under control in the event of an incident. He suggested that all involved should be agreeable to refraining from any retaliation if there were an incident. He also thought that it would be wise to get agreement of an Asian power to send in an observer in the event of an incident. There was some discussion of the possibility of the Thais but final decision was to ask Japanese if they would be prepared to help out in this way.

As to timing, Indonesians felt preparations for a meeting should be made as rapidly as possible. Sukarno said he would meet with KOTI (Supreme Military Advisory Council) Tuesday and would be prepared to announce cessation military confrontation as soon as he was informed by Attorney General that the Tunku was ready to meet with him. It was decided Sukarno might make such announcement on Wednesday during, or at end of, Attorney General's visit.

In short discussion of timing of actual implementation of cease-fire, Jani said it would take about one week to get proper control of guerrillas already inside Sarawak and Sabah. Subandrio expressed the

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Secret; Flash. Repeated to Canberra, London, Kuala Lumpur, Manila, Singapore, Djakarta, Hong Kong, and Bangkok. Passed to the White House.

<sup>2</sup> January 18.

hope that the British and Malaysians would refrain from any "mopping up operations." Attorney General replied that British/Malaysians could hardly be expected refrain from attempting capture "bandits" and that General Jani should instruct guerrillas to take care of themselves by withdrawing into jungle. Sukarno said that all reconnaissance flights should also stop. The Attorney General agreed flights by both sides should stop.

Attorney General said we did not wish to get into technical details arrangement tripartite meeting but were interested how this to be done. Subandrio said Thanat best choice this mission. Attorney General said we would keep Thanat up-to-date on developments.

Attorney General suggests that Bangkok be authorized advise Thanat confidentially substance this tel and Embtel 2109 to Dept repeated Bangkok 50.<sup>3</sup> We would prefer not to pass this to Macapagal or the Tunku as the Attorney General will wish to do so in more detail and in his own way. Department please instruct Kuala Lumpur and Bangkok if this agreeable.

Instructions contained Deptel 1845<sup>4</sup> arrived after meeting.

**Reischauer**

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<sup>3</sup> Document 17.

<sup>4</sup> See footnote 4, Document 17.

**20. Memorandum From Robert W. Komer of the National Security Council Staff to President Johnson<sup>1</sup>**

Washington, January 18, 1964.

Our Malaysian enterprise seems to be going very well, though we're only through the first phase. The AG managed to talk Sukarno into suspending military action in Borneo if the Tunku will agree to meet with Sukarno and Macapagal.

Now Bobby goes to Manila to enlist Macapagal's help, and then to work on the Tunku. Perhaps the toughest problem will be to get the Tunku to agree to meet without insisting on prior Indo recognition. Here Ormsby-Gore's pitch to you against pressing this on the Tunku is worrisome.<sup>2</sup>

But Harriman just had a good talk with Gore,<sup>3</sup> who understands why we want to forestall any such unrealistic preconditions when there's at least a 50/50 chance of success of avoiding another nasty crisis in Southeast Asia.

**R.W. Komer<sup>4</sup>**

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Malaysia, Vol. I, Memos, 11/63–3/64. Secret.

<sup>2</sup> British Ambassador Ormsby Gore met with the President on January 15 at the request of the British Cabinet and stated that the British "hoped that the U.S. would not press Tunku to attend an Asian summit without recognition." Johnson told the British Ambassador that the United States "would stand firm against Sukarno's confrontation policy" and McGeorge Bundy reaffirmed that the United States was "not attempting to decide terms of 'Asian solution.'" Bundy suggested to Robert Kennedy that an "essential part of your visit to Tunku may be to determine what part of his position is his own and what part comes from London." (Telegram 1829 to Tokyo, January 17; National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA)

<sup>3</sup> Harriman, Hilsman, and Tyler reviewed the progress of the Kennedy mission with Ormsby Gore on January 18. They emphasized that Sukarno "had come further than we had expected" and urged the British to encourage Tunku to be forthcoming. (Telegram 1021 to Manila, January 18; *ibid.*)

<sup>4</sup> Printed from a copy that bears this typed signature.

## 21. Telegram From the Embassy in the Philippines to the Department of State<sup>1</sup>

Manila, January 20, 1964, 4 p.m.

1071. At 2½ hour breakfast meeting Malacanang this morning Attorney General and President Macapagal agreed on following time table for efforts to get tripartite meetings going.

1. From Kuala Lumpur Attorney General would proceed Djakarta where Sukarno would instruct cessation military activities Kalimantan. Hope is that by January 29 all such activities including guerrilla activities would have ceased. Attorney General would proceed to Bangkok to fill in Thanat Khoman and suggest that Thanat organize meeting at level of Foreign Minister in Bangkok around February 7.

2. Bangkok meeting would begin negotiations for later summit meeting and would provide time during which effectiveness of cessation of military action could be verified.

3. Philippines prefer Thais over Japanese both to organize tripartite meeting at ministerial level and to investigate any alleged military incidents which might occur by either side, although President Macapagal said he would accede to wishes of other parties if they felt strongly.

4. Prior to having Attorney General's report on conversations in Tokyo President Macapagal had already made tentative plans visit Tunku in Phnom Penh and asked whether in Attorney General's judgment this would be useful. Attorney General replied that only good could come of such meeting provided Philippines had assured themselves that Sukarno was informed and agreed. Macapagal instructed Lopez confirm Sukarno's agreement such meeting. It was left that Macapagal-Tunku meeting could take place at any time without interfering with tripartite ministerial negotiations. Lopez said that idea of Macapagal-Tunku meeting originated with British Ambassador Addis.

5. Macapagal asked whether Attorney General should not also try persuade Sukarno suspend political as well as military confrontation since polemics before and during period tripartite meetings could be just as dangerous. Attorney General agreed and also suggested that this should be on Bangkok agenda.

6. Attorney General briefed Ambassador Addis fully on the above points. Addis seemed most concerned lest British be put into a box on

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 US/KENNEDY. Secret; Exdis; Flash. Repeated to Kuala Lumpur, Tokyo, Bangkok, London, Canberra for Hilsman, and CINCPAC for POLAD. Passed to the White House.



military withdrawals. Attorney General assured him that no proposals had been made regarding withdrawal of troops. Discussions on Tokyo and Manila concerned cessation of military activities only.

7. Macapagal and Lopez seemed interested in bringing Sihanouk into Malaysia problem and at one point suggested Cambodians as neutral nation to investigate border incidents. They implied Cambodian involvement could be helpful in resolving misunderstandings between US and Cambodia. We replied that Malaysia problem was separate and far more dangerous to stability in Southeast Asia. Cambodian-US relations and suggested that two should not be mixed. Lopez said that US-Cambodian impasse over radio broadcast on verge of solution which was especially significant in view of fact that Sihanouk planned to be Kuala Lumpur at same time as Attorney General. Phils obviously interested in starting separate diplomatic "adventure" by engaging Attorney General with Sihanouk during this mission.

8. Attorney General urgently requested guidance from Department on tactics in Kuala Lumpur in event Sihanouk should request meeting.

Macapagal seemed genuinely pleased with results of Tokyo meeting and with frankness and promptness of consultation with him. Participating in the meeting for the Phils were Macapagal, Lopez, Romulo and Cayco.

Large part of meeting was devoted to explanation by Phils of their view of problems in Southeast Asia and role which they wished to play. Full report on this aspect will follow septel.<sup>2</sup>

**Stevenson**

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<sup>2</sup> Not further identified.

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## **22. Memorandum From Robert W. Komer of the National Security Council Staff to President Johnson<sup>1</sup>**

Washington, January 22, 1964.

The Attorney General's mission is coming along very well. Latest report last night shows he cleared the tough Kuala Lumpur hurdle by

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<sup>1</sup> Source: Johnson Library, National Security File, Files of Robert W. Komer, Malaysia, Dec. 63–Mar. 66. Secret.

getting the Tunku to agree to a tripartite meeting if Sukarno suspends military action.<sup>2</sup> One fly in the ointment is that Tunku agreed to meet only at ministerial level with possible Summit later, whereas Sukarno wanted the initial bargain to include a Summit. But Bobby should be able to work this out.

To tape things down and forestall each side putting out its own slanted version, Bobby will probably issue a public statement (either in Djakarta, where he is now, or Bangkok his next stop). From Bangkok he heads direct to London, where hopefully the British will be duly grateful, and then home Monday or Tuesday.

In short, it looks as though he may have gotten the Malaysia dispute "out of the jungle and onto the conference table." Subsequent negotiation of a compromise settlement will be tricky, but if the parties come to the table it means they want to make a deal.

**R.W. Komer<sup>3</sup>**

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<sup>2</sup> As reported in telegram 631 from Kuala Lumpur. January 22. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 3 MALPHILINDO)

<sup>3</sup> Printed from a copy that bears this typed signature.

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## **23. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, January 23, 1964, 4:30 p.m.

1510. From Atty General. Embtel 1502.<sup>2</sup> Following summarizes Atty Gen's (AG) talks with Sukarno (First Dep PM/FonMin Subandrio, Second Dep PM Leimena, Third Dep PM Chairul Saleh, Dep FonMin

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret; Immediate; Limdis. Received at 6:25 a.m. and repeated to Bangkok, Kuala Lumpur, London, Manila, Tokyo, and CINCPAC for POLAD. Copies were passed to the White House and CIA.

<sup>2</sup> In telegram 1502 from Djakarta, January 22, Kennedy reported from Djakarta that Sukarno was not prepared to call a cease-fire unless the United States convinced the Malaysians to state they were ceasing hostilities. Kennedy stated he would not associate himself with any move which equated Malaysian military moves with Indonesia guerrillas and troops in Malaysia. Kennedy agreed to issue a general statement that all sides agreed that talks were desirable and a cessation of hostilities was required to provide the necessary calm. (Ibid.)

Suwito, Army C/S Gen Jani, Min Defense Gen Nasution also present) evening Jan 23:

1. At Sukarno's invitation AG outlined results discussions in Manila and KL, stating that procedures discussed in Tokyo were acceptable in both capitals. He said both Macapagal and Tunku believed situation was deteriorating in way which involved threat to entire area and that they were interested in peaceful, Asian solution. AG had told Tunku that if the tripartite meeting was arranged Sukarno would put out statement ordering cessation hostilities and that organized military activities would take day or so to halt while guerrilla activities would take perhaps seven days (Sukarno interjected "at least") to control.

AG said he had talked about dates and calculated that assuming week required to call off military confrontation, i.e., military activities would cease around end of January, ministerial meeting could take place in Bangkok Feb 5–6. AG said the arrangements for this meeting would be up to Thanat Khoman who it was understood was acceptable to all three parties to dispute. AG would go to Bangkok to fill him [in] personally over dinner Thursday night, Jan 24; after that go to London.

2. AG discussed designation of observer-investigator mentioning that there was some reluctance on part both Phils and Malaysians to accept Japanese but that Thai acceptable to both. AG said Malaysians would like UNSYG to name Thais. Sukarno worried this matter two or three times with questions but in end accepted proposal.

3. AG mentioned Manila's thought that political confrontation should also cease and discussed desirability of stopping controversial radio broadcasts. Both Sukarno and Subandrio indicated they were interested in this aspect and agreed to stop anti-Malaysian radio broadcasts and knock off political confrontation if other side would do same.

4. AG concluded this part presentation by stating that as result his talks with all three parties he convinced that each interested in peaceful settlement, that Malaysians and Phils both feel situation deteriorating and that in his judgment all parties willing to enter talks in good faith. He said he had left Jim Bell in KL and that if reports from him there and from Ambs in other countries involved should indicate any change in necessary atmosphere of good faith, he would tell this to Sukarno.

5. Sukarno questioned AG closely whether Tunku would come into conference as "Prime Minister of Malaysia." Sukarno's first reaction was that it would be impossible for him to meet with Tunku as Prime Minister of Malaysia. AG explained that he had discussed this issue with Tunku and had stressed to him that recognition could not be precondition of Sukarno, and that each side could hold its own standpoint on this matter, i.e., Tunku could come as PM of Malaysia and Sukarno could meet with him, regarding Tunku in any way he wanted. AG also

stressed that issue should be minimized by both sides and not allowed to ruin chance for talks. Sukarno finally accepted. (Indos were perhaps somewhat persuaded by fact, which was spelled out to them, that US reps regularly talk to ChiCom reps without involving recognition question.)

6. Sukarno and Subandrio, with some assistance from Gen Jani, made strong attempt revise talks in Tokyo to provide for withdrawal of troops along border in Kalimantan by both Indos and British. They pressed hard on necessity British issuing cease fire order at same time they would do so. "I can only give order to my troops to cease fire if British give order to theirs," Sukarno said. There was extended argument about this in which AG made clear that he regarded Indos major offenders in this matter and it was hardly possible to ask Malaysians or British to announce cease fire. It was Indos who were making most of incursions although there might have been few incidents by other side. It was Indos who were out to crush Malaysia not vice versa. AG said he would not be party to equating Indo military activities with those defensive activities by other side.

Sukarno argued that in Tokyo "two times I said 'both sides.'" Amb Zain interjected unhelpfully "We Indonesians all understood there would be cease fire on both sides." Gen Jani, too, said he had understood that if Indonesia withdrew their troops British would also withdraw theirs. AG said withdrawal of troops was impractical and was not what had been agreed in Tokyo. Jani said there were two groups of fighters: regulars and "Kalimantan freedom fighters." He said latter would cooperate only if they thought that what Indo did would benefit them. If British did not cease mopping up activities against them they would defend themselves. AG repeatedly reminded Sukarno it was Malaysians not British who required make commitments on military activities in Malaysia.

7. AG said arrangement would not be ideal but there was no alternative. He said he would do what he could and that US Ambassadors in capitals concerned would also do what they could do to help keep incidents from getting out of hand. Main thing was to get talks going. Surely guerrillas could protect themselves for few weeks. If there were incidents they could be investigated. AG had proceeded to other capitals on basis Sukarno's commitment to him in Tokyo that he would issue cease fire order to Indo troops. Without that there could be no talks.

8. After extended argument on this point, Sukarno switched discussion to his problem of selling cease fire to Indo people. Sukarno asked AG whether he would ask British "Are you willing silently or otherwise to order cease fire"? AG said he had already asked this of Malaysians and that their answer was affirmative. AG again stressed

that it was Indo military activity which was causing trouble and which had to be stopped before talks could proceed. AG said it was clear to him that Malaysians and those in support of them would welcome Indo cease fire.

9. Sukarno and others finally abandoned their attempts alter Tokyo agreement. Sukarno and Subandrio pressed AG earnestly, however, for general statement AP press conference scheduled noon Jan 23 that parties concerned all agreed on desirability of talks and necessity cessation military activities to provide period of calm that would make talks possible. AG agreed try to make some general statement to this effect stressing however that he wished to save most of this for announcement he would make in Bangkok. (See operative para AG's statement to press Jan 24—reftel.)

10. Sukarno agreed ministers meeting should be held Bangkok but insisted that venue for summit be decided at ministers meeting and not beforehand. Sukarno indicated he had promised Japanese that summit might be held Tokyo but assured us there would be no shift to Phnom Penh.

11. Min Chairul Saleh asked whether AG would talk with British about causes of tensions between them and Indonesians. He referred particularly to British impounding C-130 spare parts in HK. AG agreed consider discussing with British any thoughts on Indo-British relationship which Indos could give him in memo form but promised nothing. Saleh indicated he would provide AG with memo on HK situation prior AG's departure. Later, after dinner, Subandrio raised this matter with AG again stressing difficulties GOI having with labor because of HK situation. Subandrio was particularly insistent that engines for C-130s which Indos had acquired from Lockheed had been "confiscated" by British.

*Comment:* Sukarno is frequently different man in Djakarta where he is subject to and conscious of domestic political pressures than he is outside Indonesia. This fits AG's impression on this occasion. At times during this talk it was almost as if agreement reached Tokyo didn't exist. However, Sukarno (with some help from Subandrio) came around at end and agreed to stand by Tokyo agreement. This was obviously difficult for him in face situation here. In AG's and my judgment situation is most delicate one which will require utmost in effort and coordination to hold. Repeated Indo reference during these talks to British "divide and rule" tactics and to Tunku's alleged inclination exploit any concessions by GOI for domestic political purposes were two striking examples depth Indo suspicions. Nevertheless, AG secured Sukarno's agreement to give cease fire order and to otherwise proceed on basis agreement reached Tokyo. I think Sukarno wants to resolve this matter although whether his terms for substantive settle-

ment would be acceptable to other side remains, of course, to be seen. Sukarno's announcement of cease fire order to press as he stood beside AG and his favorable reference to AG's efforts (see separate report on press conf)<sup>3</sup> would appear to underline impetus AG's talks here have given possibility negotiated settlement.

Galbraith

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<sup>3</sup> Telegram 516 from Djakarta, January 23. (Ibid.)

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**24. Telegram From the Department of State to the Embassy in India<sup>1</sup>**

Washington, January 23, 1964, 10:46 a.m.

1491. Attorney General Kennedy's plane scheduled stop New Delhi for refueling en route London about 1820 hours GMT today. Important that following message be delivered him before departure New Delhi.

*For Attorney General*

Following is text message from Foreign Secretary Butler to Secretary Rusk, dated January 21 (unnecessary words omitted):

"I have been following with great attention reports from British Reps in area of Mr. Kennedy's efforts secure suspension of Indonesian military confrontation against Malaysia. We most grateful to Mr. Kennedy for keeping us so fully informed. I am glad too that he seems be making such good progress towards getting Indonesians stop their attacks. Whatever ultimate outcome negotiations, suspension tragically unnecessary fighting along Borneo border must be a clear gain.

Nevertheless, there is one aspect Mr. Kennedy's otherwise helpful intervention which does cause me some concern and which I shall want discuss with him when he reaches London. This is emphasis he has been laying on need for "Asian solution" to problem Indonesian

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-MALAYSIA. Secret; Flash; Verbatim Text. Drafted by Ingraham and cleared by Cuthell. Repeated to London. The original message, delivered by Ormsby Gore to Rusk, January 22, is in the Johnson Library, National Security File, Country File, Malaysia, Vol. I, Memo, 11/63-3/64.

confrontation against Malaysia. I believe that what he means is that next step should be meeting three Asian Governments involved: Indonesia, Malaysia and Philippines. We would agree with this and, if such a meeting were to open way for closer association these three countries on entirely voluntary basis and without any element Indonesian coercion of Malaysia, we would welcome this. We have never been opposed to Macapagal's concept of Maphilindo as such, but only to its employment as pretext for isolating Malaysia from Western support.

This brings me to nub of present message. Even if these three Asian Governments met without any representatives Western Powers present, their discussions are bound to include certain topics of direct concern to Britain and West as whole. I am thinking particularly of main target Indonesian hostility: the Anglo/Malaysian Defence Agreement and base facilities in Malaysia enjoyed by HMG under this Agreement. If, as I fear they will, Indonesians make abrogation these arrangements a condition for final termination confrontation and restoration friendly relations with Malaysia, we think Malaysia will be bound refuse and would be in Western interests that she should do so. Otherwise, how can we ask Malaysia (with her population of ten million) to entrust her future independence to good will of 100 million Indonesians? Secondly, HMG would thereby be asked renounce all future prospects of making any effective contribution to defence Southeast Asia.

These, I suggest, are not problems which West can afford consider in isolation. They are not purely British problems and cannot be solved without most far-reaching repercussions on future of Southeast Asia as a whole or on unity and effectiveness Western Alliance. To take worse possible case, termination Indonesian confrontation on terms likely lead to neutralisation of Malaysia under Indonesian influence would have profound effects in mainland Southeast Asia. Neighbouring Thailand might reconsider her adhesion to Western Alliance. There would be repercussions in Laos and Cambodia. Above all I think your problems in South Vietnam would be greatly increased.

All this leads me to propose that, when our Prime Minister meets your President in Washington next month, we should try to look at Western policy in Southeast Asia as a whole rather than at individual problems of Britain over Malaysia or of US over South Vietnam. When I say Western policy, I am naturally also thinking of Australia and New Zealand, whose interest is even more direct than that of either Britain or US. As I see it, post-war extension of Communist influence in Southeast Asia has been largely due to our failure achieve such a united approach to problems of area as a whole. Again and again particular Western countries have fought isolated and ultimately futile rear guard actions in a single sector. Now, even if it is at eleventh hour, I think

we should attempt fresh approach. If you agree, I hope you will also agree on importance of avoiding any irrevocable commitment on nature of a final solution to problem Indonesian confrontation until we have met and discussed this problem in its wider context."

**Rusk**

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**25. Telegram From the Department of State to the Embassy in the United Kingdom<sup>1</sup>**

Washington, January 23, 1964, 11:01 a.m.

4456. For Attorney General from Secretary. My warm congratulations on the job you have done in Tokyo, Manila, Kuala Lumpur and Djakarta. It may well prove to be a major turning point in the entire position in Southeast Asia. As a minimum you have obtained public commitments from Sukarno which give us powerful leverage to restrain him from rash action in the future.

In your talks in London<sup>2</sup> you should emphasize that we were not presuming to interfere in someone else's problem but that we were faced with a major watershed in the future of our own relations with Indonesia. President could not make a determination to proceed with aid in the face of Indonesian guerrilla action against Malaysia. On the other hand to discontinue aid would lead to complete rupture with Indonesia, seizure by them of major US investments, and firm implantation of ChiCom influence in Indonesia through PKI. You were highly successful in staying out of the details of a possible solution but you did prepare an opportunity for Sukarno to back away without undue loss of face and got for the Tunku a publicly declared suspension of military confrontation which must relieve him.

Again, my warm personal thanks.

**Rusk**

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 US-KENNEDY. Secret; Priority; Exdis. Drafted and approved by Secretary Rusk.

<sup>2</sup> In a January 24 message to Rusk, Home stated that he looked forward to meeting Robert Kennedy, but he added that, "Sukarno's rantings about continuing confrontation by other means do not encourage me to think that he has in any way changed his spots or altered his aim which he has just reiterated as 'crush Malaysia.'" (Johnson Library, National Security File, Country File, Malaysia, Vol. I, Memos, 11/63-3/64)



**26. Memorandum From Robert W. Komer of the National Security Council Staff to President Johnson<sup>1</sup>**

Washington, January 25, 1964.

The Attorney General's mission is apparently accomplished. Despite Sukarno's growls he did call a cease-fire (though continuing his subversion in Malaya proper which we'll have to watch). The Tunku in turn has agreed to a foreign ministers' meeting without insisting on recognition first.

Even the British are grateful, though constantly fearful of Indo trickery.<sup>2</sup> Bobby sees Home for lunch Sunday.<sup>3</sup>

Best word is that the AG will be back here about 7:30 pm Sunday. We don't want to overplay his mission because the deal may yet fall apart; yet we do want to convey the feeling that we've got things moving in the right direction, so as to make it harder for Sukarno, the Tunku, or the UK to insult us by renegeing. Would you want to give Bobby any special reception?

**R.W. Komer<sup>4</sup>**

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<sup>1</sup> Source: Johnson Library, National Security File, Files of Robert W. Komer, Malaysia, Dec. 1963–Mar. 1966. Secret.

<sup>2</sup> Telegram 35123 from London, January 26, contains an account of Kennedy's discussion with British Prime Minister Home. Telegram 3497 from London, January 25, contains an account of Kennedy's discussion with British Foreign Secretary Butler. (Both, National Archives and Records Administration, RG 59, Central Files 1964–66, POL 7 US–KENNEDY) In a brief memorandum to the President, January 27, which Johnson saw, Komer noted that the "British, while highly suspicious of Sukarno, were signed on by Bobby (indeed they talked more about Cyprus than Malaysia). So it still looks like a very successful mission, though we've only bought time and reversed the trend towards crisis. Tough job now will be to promote a negotiated compromise." (Johnson Library, National Security File, International Meetings and Travel, Attorney General's Trip, [1/64])

<sup>3</sup> January 26.

<sup>4</sup> Printed from a copy that bears this typed signature.

## 27. Telegram From the Mission to the United Nations to the Department of State<sup>1</sup>

New York, January 28, 1964, 6:30 p.m.

2872. From Forrestal for Harriman, Marshall Green and Cleveland. Attorney General has approved fol message to be dispatched as soon as possible to Macapagal, Sukarno and Tunku; information Bangkok, Canberra and London:

"I have just reported to President Johnson on my fruitful discussions with you, with leaders of Malaysia, the Philippines and the United Kingdom, and with the Foreign Minister of Thailand. I want to tell you again how much I appreciated the courtesy and consideration with which you received me. President Johnson agrees with me that we can all look with real satisfaction at the results of these discussions which were due largely to the frank and constructive spirit with which you approached them. If this spirit can be maintained through the crucial weeks that lie ahead, there is no doubt that your nation and its neighbors will have gone far to achieving a stable and mutually beneficial peace.

I have also just reported to the Secretary General of the United Nations<sup>2</sup> and have told him that all three nations were agreeable to having Thailand designated by him as the disinterested party who would observe and investigate any incident which may occur on either side of the borders in Kalimantan during the period of the conferences. The Secretary General will no doubt be getting in touch with your representatives at the United Nations in New York, and I hope that the appropriate arrangements can be made simply and quickly.

In the meantime, it is essential in my judgment, that the spirit of our discussions be maintained, that every effort be made to avoid armed clashes, that political offensives, both overt and covert, be suspended, and that all parties exercise the utmost restraint in responding to real or imagined provocation by another.

Finally, I hope that the three countries will extend full cooperation to the Secretary General and to Mr. Thanat Khoman, Foreign Minister of Thailand, who are undertaking a most difficult role. They both deserve our thanks."

*For Djakarta:* At meeting today in NY, SYG told Attorney General that Indonesian Amb. Palar had reported Indonesian Govt not willing

<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret; Priority; Limdis.

<sup>2</sup> The account of Kennedy's hour meeting with U Thant is in telegram 2880 from USUN, January 28. (Ibid.)

have SYG act in designating Thailand as investigator of incidents. SYG agreed to designate Thailand if he received assurances from Indonesian Govt that this was acceptable. Attorney General later saw Amb. Palar and asked him to report to President Sukarno and Dr. Subandrio Attorney General's clear understanding in Djakarta that Indonesians were agreeable to having SYG act in designating Thailand. Amb. Jones, who was present these conversations, should take this matter up orally with Subandrio and/or Sukarno at time he delivers letter. Amb. Jones should also emphasize extreme importance of avoiding provocative action during pre-conference period.

For example, presence of Indonesian troops in North Kalimantan or sabotage or similar activities in Singapore or on Malaysian peninsula, would be disastrous.

*For Manila:* AFP ticker reported today on suggestion, presumably by Lopez, that tripartite ministers' meeting take place Manila instead of Bangkok. If this is true, Amb. Stevenson should emphasize to Macapagal real dangers of this kind of maneuver. It was with great difficulty that Attorney General was able to get all parties agree to have Thais exercise their twin role as organizers of Tripartite Meeting and investigators of incident. At request of all parties, including Macapagal, Attorney General has requested Thais to take on this job, and has just reported this to SYG. This reported activity by Philippines could undermine entire fragile structure.

*For Bangkok:* You should inform Thanat substance of this message.

**Plimpton**

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**28. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, January 31, 1964, 7:34 p.m.

835. Department anticipates that within immediate future several of our Embassies will be approached by principals in Indonesian-Malaysian dispute concerning U.S. position on settlements to be sought

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Secret; Priority. Drafted by Sullivan and Ingraham; cleared by Cuthell, Forrestal, Harriman, and Green; and approved by Rusk. Also sent to Kuala Lumpur and Manila, and repeated to Bangkok, London, Wellington, and CINCPAC for POLAD.

in forthcoming negotiations. Department does not want any of our Ambassadors take initiatives to impose U.S. ideas upon Asian principals themselves, but we do consider it important that there be consensus among Ambassadors as well as between Ambassadors and Department. Department's thoughts on optimum settlement which we could foresee are set forth below:

Our over-all security interests in region are such that we obviously would not welcome settlement which would seriously undermine our position in region or that of our Western allies. In effect, we are willing to go along with any settlement freely negotiated by principals provided it falls within these limits.

Following are minimum results which we believe our interests require emerge from any settlement:

1. Indonesian assaults on Malaysia in form guerrilla incursions and terrorist activities must be abandoned.

2. Sovereignty and territorial integrity Malaysia must be preserved. FYI only. This does not necessarily rule out some sort of pro forma testing popular will in Sabah and Sarawak but does rule out any formula which casts doubt on present legal status these states as part of Malaysia. End FYI.

3. Basic orientation Malaysia and Philippines as members Free World system of alliances must not be compromised in fact or by implication.

4. Security of SEA nations will depend on presence in area of sufficient Western power to contain Communist Bloc until such time as SEA nations are able provide their own defense, which still in remote future. No settlement which anticipates early departure U.S. or UK military presence or adds to difficulties we face in maintaining it would be acceptable or realistic. British military establishment in Malaysia must remain until such time as British and Malaysians themselves freely determine that its presence no longer necessary. U.S. bases in Philippines must be recognized as bilateral matter between U.S. and Philippines, not one of legitimate concerns to other two parties.

Foregoing results conceivably could emerge even if forthcoming negotiations failed achieve formal settlement, since they require nothing more than Indonesia's renunciation force in pursuit its policies toward Malaysia. Although this sort of "agreement to disagree" would be preferable to all-out confrontation, it would not be satisfactory. In our view, optimum settlement of dispute would require following additional results:

1. Resumption diplomatic relations between Malaysia and other two.

2. Agreement on method of disposing of Philippine claim to Sabah once and for all.

3. Cessation all aspects Indonesian political and propaganda confrontation against Malaysia and of all Malaysian countermeasures.

4. Full restoration normal transportation and communications between Indonesia and Malaysia.

5. Lifting of Indonesian economic boycott against Malaysia and of Malaysian countermeasures. (We would not, however, expect Indonesians to drop their campaign to divert export trade from Singapore, but merely to rationalize it, stretch it out, and remove it from context of confrontation.)

Would be unrealistic hope that all of foregoing can be included in neat package worked out at Bangkok tripartite meeting for ratification subsequent summit. At same time, U.S. has made major effort to bring this meeting about, and that we have committed good deal our influence and prestige in process. Matter has now been placed in hands Asian principals—where it should be—but if they fail achieve enough progress to insure that there is no return to all-out confrontation of past few months, situation will inevitably deteriorate dangerously. We envisage tripartite meeting as forum either to reach firm settlement or to pave way for further negotiations which will result in settlement, and we think it absolutely essential that meeting achieve—at very least—enough success to create real, irreversible momentum toward settlement.

Request immediate reaction of Ambassadors to these views.<sup>2</sup> Once consensus has been achieved Department believes Ambassadors can usefully employ concerted viewpoint to present uniform U.S. reactions to various proposals or suggestions which may be floated by other parties.

**Rusk**

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<sup>2</sup> In telegram 676 from Kuala Lumpur, February 3, the Chargé stated "I would go beyond minimum requirements set forth in refel. Not only should assaults in form of guerrilla incursions and terrorist activity be stopped but to preserve sovereignty and territorial integrity Malaysia, Indo military within Malaysia must be withdrawn and Indos must accept right of Malaysian forces deal as they see fit with own nationals in state of revolt." (Ibid.) In telegram 1609, February 3, the Embassy in Djakarta replied that the Department's analysis of minimum acceptable terms for a settlement was "sound." (Ibid.)

**29. National Security Action Memorandum No. 278<sup>1</sup>**

Washington, February 3, 1964.

FOR

The Secretary of State  
The Secretary of Defense  
The Administrator, Agency for International Development

SUBJECT

Presidential Determination re Aid to Indonesia

The President has decided that no determination with respect to aid to Indonesia should be made pending the outcome of the tripartite ministerial conference in Bangkok and the summit conference of the three Asian leaders, which is expected to follow. In the meantime, existing programs of economic and MAP assistance are to continue, subject to continuing review by the Secretaries of State and Defense.

**McGeorge Bundy**

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<sup>1</sup> Source: Johnson Library, National Security File, National Security Action Memorandums, NSAM 278. Confidential. Copies were sent to McGeorge Bundy, Forrestal, and Johnson, presumably Charles E. Johnson of the NSC staff.

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**30. Telegram From the Department of State to the Embassy in Malaysia<sup>1</sup>**

Washington, February 18, 1964, 7:59 p.m.

679. Following is summary Dept's understanding of current status of Indonesia-Malaysia dispute:

1) Thanat has accepted observer function in Eastern Malaysia despite SYG's unwillingness designate Thailand. Dept has no evidence, however, that Thais have taken or contemplate action to pre-position observers in Malaysia or Indonesia.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1, INDON-MALAYSIA. Secret; Priority. Drafted by Cuthell, cleared by Harri-man, and approved by Hilsman. Also sent to Manila, Djakarta, Bangkok, London, Canberra, Wellington, and Singapore and repeated to CINCPAC for POLAD.

2) Sukarno seems agreeable to accepting Bangkok language on disengagement Indo guerrillas (Bangkok's 1288),<sup>2</sup> but makes it clear he does not in fact intend withdraw them until "political settlement" reached.

3) GOI and GOP expect second round FonMins meeting in Bangkok late February where intend seek "political settlement" which both see as centering on further supervised determination of will of people in Eastern Malaysia. GOM is moving toward refusal participate until Indo guerrillas withdrawn.

4) Tunku-Macapagal meeting less productive than first reported—no real agreement on North Borneo claim and renewed GOP pressure for self-determination.

If foregoing is correct summary, situation may be headed toward new impasse, and further efforts to head it off are necessary. Essential elements in problem are presence Indo guerrillas, need for further meetings, and nature of possible political solution.

In regard guerrillas, Dept's understanding is that there now about 150–200 Indo nationals operating in Eastern Malaysia among some 2,000 locals. Great majority now inactive, and some removing themselves from scene by surrender or return Indonesia. This is very small number, is manageable military threat, and can be substantially eliminated by attrition if HMG–GOM keep up quiet pressure as suggested Deptel 668 to Kuala Lumpur.<sup>3</sup> Only real danger from these people lies in possibility their continued unresisted presence might legitimize their status in Malaysian territory, which GOM can avoid by adhering to its "reservation" in Bangkok communiqué or through GOI acceptance disengagement language Bangkok's 1288.

Dept appreciates GOM reluctance meet with Indos until guerrilla problem solved, but believes failure to meet would make situation worse. Present cease fire based on assumption talks in progress, and GOM refusal to meet could be interpreted by Indos as evidenced agreement with Kennedy violated by GOM, position which GOP might well support. Dept and GOM's friends well aware GOM has excellent legal and moral case, but if negotiations fail because GOM has broken them off, Malaysian position would undoubtedly be weakened in eyes much of UN. For this reason Dept believes it important GOM continue participate in meetings. It can continue insist Indos withdraw guerrillas before making broader settlement, but must not allow Indos get upper hand by breaking off talks.

Dept does not wish to be drawn into substance of general settlement, but believes GOM puts itself in no danger by agreeing to further meetings and discussions. GOM not obliged accept proposals re self-

<sup>2</sup> Dated February 10. (Ibid.)

<sup>3</sup> Dated February 13. (Ibid.)

determination which it feels are humiliating or which impugn its sovereignty, can counter current proposals by pointing out that next national elections in Borneo, presumably in four or five years, will inevitably reflect any significant popular disaffection with Malaysia. Dept continues believe that the principals can work out some agreeable formula if they keep talking, while breaking off talks might well cause cease fire to collapse.

*For Kuala Lumpur:* Bell should discuss foregoing with Razak, suggesting he 1) deal with guerrilla question as outlined Deptel 668, 2) agree attend another round FonMin talks and try to keep discussions going. Bell should emphasize that we do not and will not ask Malaysians buy off Indos by giving up anything important to Malaysia, but are greatly concerned at what likely follow if GOM refuses participate further.

*For Djakarta:* Ambassador should make further approach to Sukarno on guerrilla withdrawal question. May wish discuss with Subandrio beforehand in view Sukarno's adamant reaction to last approach. With both, Ambassador should emphasize following, making clear you speaking under instructions:

1. Sukarno's agreement with Attorney General did not deal with continuing presence guerrillas on Malaysian soil after Bangkok talks began, and can by no stretch of imagination be construed to sanction this interpretation.

2. GOI cannot expect Malaysians to bargain over withdrawal guerrillas or to offer any concessions in return for their withdrawal, and we would not consider asking them to do so. Presence of guerrillas is not negotiating asset for GOI, but has become serious liability in working toward peaceful settlement. Any effort reinforce or supply guerrillas would, of course, violate Kennedy agreement and be intolerably provocative to GOM.

3. If GOI fears Indonesia would lose prestige by announcing withdrawal these forces, matter could be settled without publicity. GOI could and should simply inform GOM of its acceptance compromise language on disengagement and then proceed withdraw guerrillas without announcing fact to anyone.

*For Manila:* Ambassador should review above points for Djakarta with Macapagal, emphasize that guerrilla problem must be resolved before real progress can be made in further Bangkok meetings.

*For Bangkok:* Ambassador should discuss all of foregoing with Thanat and report his views.

London, Canberra and Wellington may discuss above with FonOffs.

**Rusk**



**31. Memorandum From Michael V. Forrestal of the National Security Council Staff to the Assistant Secretary of State for Far Eastern Affairs (Hilsman)<sup>1</sup>**

Washington, February 19, 1964.

SUBJECT

Indonesia—Malaysia

I am getting concerned that the agreement to negotiate the difference in this dispute is beginning to come unstuck. It seems to me there are two problems:

1. Sukarno is unwilling to give up the bargaining power represented by the continued presence of Indonesian controlled guerrillas in Malaysian territory without simultaneous political concessions from the Malaysians.

2. The Tunku is essentially unwilling to continue the talks until after Sukarno has agreed on a withdrawal. His position is further complicated by the pending election in April, which makes it difficult for him to devise any significant political concessions.

As a result, it is doubtful whether the next Ministerial meeting, scheduled for February 25, will achieve any results; if indeed, it takes place at all. In the meantime, we are still living under the time threat of the Broomfield Amendment.

The situation suggests to me that we must take some initiative between now and the 25th, designed to keep the next meeting from breaking apart, and perhaps getting us through the period of the Malaysian elections. Several thoughts have occurred to me:

1. We might tell Sukarno that time is running out for us for domestic reasons, and that unless there is some progress in the next talks, the administration will find itself in an impossible situation with respect to the Broomfield Amendment. Something has to be found to save the next Foreign Ministers' meeting. One possibility is an agreement by Sukarno to withdraw members of regular Indonesian forces who may be in North Borneo. During the Attorney General's trip we were under the impression that there were no regular forces in North Kalimantan, only native guerrillas. Now it turns out that the British have captured twelve Indonesian marines, although they have kept this quiet. It would be to Sukarno's interest in the eyes of world opinion if he agreed to withdraw his regular people.

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<sup>1</sup> Source: Johnson Library, National Security File, Files of Robert W. Komer, Malaysia, Dec. 1964–Mar. 1966. Secret. Copies were sent to Robert Kennedy, Harriman, and Komer.

2. Macapagal's visit to Djakarta gives us an opportunity to use him as a way of speaking bluntly to Sukarno. A draft message from the President to Macapagal to take advantage of this visit is attached.<sup>2</sup>

3. Simultaneously we should tell the Tunku that his demand for withdrawal of guerrilla units is a step back from the understanding he had with the Attorney General.<sup>3</sup> The underlying principle of the Attorney General's transaction was that the parties agreed to stop the fighting and to talk. The questions of the actual withdrawal of guerrillas, recognition of Malaysia, and Maphilindo were to be discussed initially at the Ministerial Conferences, and then at the Summit. We might suggest to the Tunku that he confine his demand to a withdrawal of regular Indonesian personnel. We should ask the Attorney General to get some of these thoughts across either to the Malaysian Ambassador here or by letter to the Tunku.<sup>4</sup> He or Governor Harriman might talk to the British and Australians.

**Michael V. Forrestal<sup>5</sup>**

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<sup>2</sup> The attached draft letter was sent to Macapagal in telegram 1219 to Manila, February 20. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1, INDON-MALAYSIA)

<sup>3</sup> Instructions to this end were included in telegram 691 to Kuala Lumpur, February 20. (Ibid.)

<sup>4</sup> Telegram 712 to Kuala Lumpur, February 25, contains the text of a letter (drafted by Forrestal and cleared by Harriman, Hilsman, and Cuthell) from Robert Kennedy to the Tunku. In it Kennedy urged the Tunku to call upon Thailand to put observers into the area, to continue negotiations, and not to take the issue to the United Nations. (Ibid.) Hilsman and Forrestal made similar points to Malaysian Ambassador Ong on February 24. (Telegram 709 to Kuala Lumpur, February 25; *ibid.*)

<sup>5</sup> Printed from a copy that bears this typed signature.

**32. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, February 29, 1964, 5:59 p.m.

938. Djakarta's 1802.<sup>2</sup> On eve Bangkok meeting, prospects major progress not promising in absence any signs acceptable formula on guerrilla question in offing. Seems obvious Indonesians will have to give at least part on this question if meeting not to break down at outset. Main effort all participants obviously must be some forward motion on guerrilla question and at least preliminary discussion other issues to permit negotiations to continue.

*For Djakarta:* Department concurs approach to Subandrio suggested last three numbered paragraphs reftel.<sup>3</sup> In addition these points, you should also make following:

1. Subandrio must expect and be prepared tackle guerrilla question before going into political matters. Must also be prepared give some ground on this question. GOM knows that most of world will accept logic their position this issue and will have to insist on some rectification to protect their position.

2. Since Attorney General's mission, US has been poised at watershed in relations with Indonesia. Subandrio and Sukarno aware our basic sympathy for Indonesia and our desire to be helpful. Attorney General mission itself ample proof of this. But ball now entirely in Indonesian court. We can be of no further help to them, politically or otherwise, if current cease-fire and talks break down. We now need from Indonesians same degree initiative in moving toward settlement that we took last January. No point asserting that we should put pressure on other side rather than Indonesia. We have already done maxi-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Confidential; Immediate. Drafted by Ingraham, cleared by Cuthell, and approved by Green. Also sent to Kuala Lumpur and Bangkok and repeated to Manila, London, Canberra, and CINCPAC for POLAD.

<sup>2</sup> In telegram 1802 from Djakarta, February 28, the Embassy reported that there was very little domestic opposition to Sukarno's "crush Malaysia" campaign and that confrontation enjoyed wide support in Indonesia. Still the Indonesian military was anxious to avoid a direct clash with the British and there were no indications of major military preparations in Kalimantan, just stepped up paramilitary operations. The Embassy suggested steps to induce Indonesia to make a 180 degree turn and accept a peaceful settlement. (Ibid.)

<sup>3</sup> In these paragraphs of telegram 1802, the Embassy suggested a pre-conference approach to Subandrio to: 1) reaffirm the importance of progress at the Bangkok talks, 2) emphasize the necessity for a further definition of the cease-fire, and 3) urge that Indonesia make known its position on a political settlement at Bangkok, that is "put cards on table and get negotiating process started." (Ibid.)

imum possible in encouraging others to understand Indonesian position and meet GOI half-way.

*For Kuala Lumpur:* You should let Razak know we are urging Indonesians (1) to take more responsible position on guerrillas, and (2) to start spelling out what they mean by "sweetening the pill." If Indonesians give any indication at Bangkok that they moving in this direction, we hope he will hear them out fully, explore their proposals and not reject their approaches out of hand. If Indo terms unacceptable, he should either make counter offer or defer discussion to later meeting.

We see minimum objective Bangkok meeting as that of preventing further deterioration and keeping negotiation process going. We recognize that Malaysians, as aggrieved party and with elections coming up, find current situation hard to take. Even though present cease-fire far from satisfactory to Malaysians, however, it is preferable to all-out resumption Indonesian military confrontation—particularly when number of indications suggest time may be working in Malaysia's favor.

Re question Thai observers, we pleased have Razak's assurance (Kuala Lumpur's 773)<sup>4</sup> that question will be settled prior Bangkok meeting. Leisurely pace and delicate sensitivities demonstrated by Malaysians to date, however, leave impression that they (and perhaps Thais as well) do not really understand why prompt pre-positioning observers so important their position. If you think it will help, suggest you continue express our active interest in getting them moving.

In this connection, we puzzled why Razak feels observers need access Indonesian side border before they can be effective. Understanding on observers was that they are to investigate incidents, which presumably will only occur Malaysian territory. "Seeing what Indonesians up to" is eminently not part their agreed function, and any suggestion it be made part thereof almost sure cause whole observer concept to collapse.

*For Bangkok:* Suggest you convey to Thanat general outline foregoing prior meeting, emphasizing that minimum objective must be to keep talks going and keep cease-fire reasonably intact. Re his comment that he would welcome any formulae that may occur to us (Bangkok's 1406),<sup>5</sup> suggest you point out that we feel main thing is to get Indonesians to surface their terms for "sweetening the pill." Once these in sight, we could all start looking for possible formula.

Re Razak compromise language on guerrilla withdrawals (Kuala Lumpur's 773), suggest you mention it to Thanat and suggest he may

<sup>4</sup> Dated February 28. (Ibid.)

<sup>5</sup> Dated February 29. (Ibid.)

want discuss it further with Razak. If Thanat thinks any chance Indonesians buying it, he might want to consider tactic of presenting it himself as compromise if Indos reject fifth cease-fire point proposed first Bangkok meeting.

Rusk

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### 33. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>

Washington, March 3, 1964, 7:44 p.m.

946. Re Djakarta's 1793, 1802 and 1804;<sup>2</sup> Kuala Lumpur's 787.<sup>3</sup> Department is aware that Embassy has in past months kept Sukarno and Subandrio well informed as to our views on where Indo foreign policy and economic problems can lead. Net impact of this regular restatement of our position has been disappointing, although Department believes present situation would be worse in absence of pressures from our side.

Essence of problem seems to be that Sukarno recognizes our refusal to support confrontation, accepts our statements of support for Malaysia although annoyed by them, and is willing to face possible loss of both current and potential U.S. aid. He seems to discount chances that U.S.-Indo relations can deteriorate to breaking point if GOI presses its quarrel with GOM to stage of open hostility, and in general assumes that he can achieve his objectives by methods including continuing guerrilla action without seriously endangering his international position.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA, Secret; Immediate; Limdis. Drafted by Cuthell and Ingraham, cleared by Hilsman, and approved by Harriman.

<sup>2</sup> Regarding telegram 1802, see footnote 2, Document 32. In telegram 1793, February 28, the Embassy alerted the Department to intelligence about Indonesian estimates of British and U.S. intentions toward Malaysia and the aggressiveness of the military officials responsible for Indonesian military operations. In telegram 1804 from Djakarta, February 29, Jones suggested that domestic economic considerations and problems would have very little effect on Sukarno's attitude towards compromise with Malaysia. (Both National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA)

<sup>3</sup> In telegram 787 from Kuala Lumpur, March 3, the Embassy suggested that Sukarno seemed to have a desire to reach a peaceful settlement with Malaysia, but was being inhibited by the PKI and the Indonesian military. The Embassy suggested that Jones and the Department might consider using its relationship with key army leaders to convince them to support a settlement. (Ibid.)

Problem is accentuated by fact, which emerges in above references, that those who are in position to influence Sukarno toward rational foreign and economic policies particularly military, are not doing so.

In case of PKI, it is obviously in commies' interest to encourage present course toward mounting international tension and domestic economic collapse. Department has noted recent reports that PKI has lured Sukarno into agreement that PKI will not play up current economic troubles if Sukarno will keep up active confrontation, but that PKI is at same time pushing campaign against foreign business interests. PKI undoubtedly wants break with U.S. to permit takeover U.S. investments including oil. PKI is thus ready to profit now from confrontation and be ready with plan based on break with West if economic conditions reach crisis stage.

Indo military on other hand, seems to lack understanding of where Indo policy is leading, and fails to recognize that present combination of confrontation and increasing coldness toward West plays only into hands of PKI and other extremists. Since our efforts influence Sukarno directly and via Subandrio have not succeeded in modifying Indonesian policy, Department believes we should now try to build up pressures on Sukarno from Indonesian military sources in favor of rational settlement with Malaysia and decent relations with free world. In view of attitudes described in references, this would seem to require "educational" program aimed at military leaders. Department would not suggest anything which might get back to Sukarno as U.S. campaign against him, but would expect that if situation is effectively and forcefully described, significant number of Indo military who have some ability effect course of events would understand where present course is leading and would try to change or restrain it.

Department has noted Bell's suggestion (Kuala Lumpur's 787) that time has come to draw on relationship we have built up with Indonesian military in effort head off GOI before it too late. This should be done to maximum extent possible in context this "educational" campaign, since our capital with them will be completely expended in any event should Indo actions force us side openly against them.

Appears to Department that Col. Benson and attachés should see Nasution and such other military leaders as they and Ambassador think useful.

Embassy familiar with most appropriate lines to take with each group, i.e., stressing that present situation playing directly into PKI hands, and will be tailoring them to fit individual targets. In addition the obvious points, should try impress upon them the following overall assessment:

1. If Indo resumes all-out confrontation result can only be (1) complete breach between Indo and free world, with Indo forced either

eke out meager existence in isolation or turn as suppliant to Bloc, which would then respond, if at all, with aid designed to help PKI, or (2) growth of internal pressures within Indo of such magnitude as to threaten both present leadership and internal unity. Whichever one materializes, Indo's prestige and status as nation would be shattered.

2. Indo military must face fact that if they escalate military confrontation they risk war with British, who have capacity knock out Indo offensive ability quickly. Such defeat would end position of control of Indo military leaders.

3. As far as U.S. concerned, we being driven to point at which we recognize growing possibility parting of ways with Indo. For years U.S. Govt has made sustained effort understand Indo aspirations and help attain them. In West Irian case, we went to length of risking strained relations with old and close allies in order encourage peaceful settlement favorable to Indo. Present case bears no relation to West Irian since it involves Indo campaign not against colonial territory to which it has any sort of claim but against sovereign state which U.S. and most of world value as friend. Despite our inability accept Indo position vis-à-vis Malaysia, however, and in face strongly adverse reaction both from U.S. public and from U.S. allies, U.S. Govt has made continuous effort (culminating in Attorney General's mission) to encourage peaceful settlement on terms not adverse to Indo's legitimate interests. Despite this record, we now find U.S. singled out as target by much of Indo press and leadership, and U.S. companies in Indo threatened with seizure or violence. U.S. Govt and people cannot be expected put up with this forever, and must react strongly if our interests damaged by GOI or PKI.

4. Would be naive for Indos to think there are any differences or conflicts in U.S. and UK policies toward Southeast Asia which they can exploit. U.S. and UK are allies. ANZUS Treaty obligations apply if Australian and New Zealand forces involved.

5. In considering implications foregoing, Indos should not be so naive as to think they can find useful alternative support among Western Europeans (French, Dutch), Afro-Asians or Bloc. While certain Western Europeans have pursued policy similar to ours in avoiding taking sides, GOI can be sure none will abandon UK and Malaysia if forced make choice. Nor can real support be found among AA's, most of whom recognize Malaysia, have nothing against British, are preoccupied with own problems and, in any event, have nothing to offer in way tangible support. As far as Bloc concerned, Indos must be aware situation has changed radically since early postwar days of East-West confrontation when foe of one automatically taken up as friend of other.

6. By drying up sources foreign aid and disrupting trade, confrontation has seriously hurt Indo economy and virtually eliminated hopes for economic development in near future. Quite aside from its impact on population as whole, Indo military must realize this directly affects them: However large and well equipped its forces in being, Indo is not and will not be significant military power—able realistically claim capacity to defend country—so long as industrial-technical base to sustain these forces totally absent. At best will take years or decades create this base, but every day confrontation continues pushes that goal farther in future.

Department realizes carrying out foregoing will be delicate task, but believes that time for such an effort has arrived. Request Embassy reaction.<sup>4</sup>

Rusk

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<sup>4</sup> In telegram 1832 from Djakarta, March 4, the Embassy agreed with the Department's thinking and reported that Jones had already made an appointment with Nasution and would see Yani and other military figures as appropriate. (Ibid.) In telegram 1854 from Djakarta, March 6, Jones reported on an hour and 10 minute meeting he had with Nasution on the morning of March 6. The discussion suggested to Jones that the Indonesia military were determined to continue confrontation, but not to the point of large scale conflict, were aware of the threat of the PKI, and were unprepared to deal with Indonesia's economic problems. Jones reported that Nasution, "avoided like the plague any discussion of possible military takeover, even though this hovered in the air throughout the talk, and at no time did he pick up obvious hints of US support in time of crisis." (Ibid.)

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### 34. Memorandum for the Record<sup>1</sup>

Washington, March 4, 1964.

#### SUBJECT

Daily White House Staff Meeting, 4 March 1964

1. Mr. Bundy presided over a meeting much more reflective in tone than is normally the case.

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<sup>1</sup> Source: National Defense University, Taylor Papers, Chairman's Staff Group, White House Daily Staff Meetings, Box 25. Secret; Eyes Only. Drafted by Colonel William Y. Smith of the NSC staff.



[Here follows discussion of an upcoming NSC meeting and Cyprus.]

4. *Indonesia/Malaysia*. There are reports that discussions between Sukarno and the Tunku have been broken off. The reports may be exaggerated, but they did bring to Bundy's mind the question of whether we can much longer put off the Presidential determination of whether Indonesia should continue to receive economic assistance. He felt it was inevitable that we would have to cut off aid.<sup>2</sup> He raised several questions on the matter, however. First, he wondered whether the Attorney General would be of the same mind, or whether the Attorney General would say that the Tunku has behaved as badly as Sukarno. Komer affirmed that the AG would say the latter, and with some justification. The argument was that the Tunku could afford to be statesmanlike but wasn't. He is evidently up for election and, although Komer said there is no competition, Bundy responded by saying that high level officials running for re-election do not like to hear what "shoo-ins" they were. This discussion closed with Bundy commenting that the aid determination would have to be dealt with soon.

[Here follows discussion of an OAS resolution and Presidential visits.]

WYS

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<sup>2</sup> Smith recounted the following discussion at the February 24 White House staff meeting: "Bundy commented that he thought it was about time we took some action against Sukarno, and that we should initiate steps to cut off our economic aid from him. He realized that this was an unpopular position, that the Attorney General probably did not agree with it, and that he (Bundy) perhaps could be talked out of his present thinking. Nevertheless, he felt that we could not continue to support Sukarno if he continues to behave as he now is." (Ibid.) On February 25 Komer wrote Bundy a 2-page note explaining why it was the wrong time for a "showdown" with Indonesia. (Johnson Library, National Security File, Country File, Indonesia, Vol. I, Memos 11/63-4/64)

**35. Memorandum From Michael V. Forrestal of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, March 5, 1964.

**SUBJECT**

Indonesia/Malaysia Recapitulation

Herewith a run-down on the last twenty-four hours:

The four Ministers met in Bangkok the day before yesterday for two hours. At the end of the meeting the Malaysians announced that since the Indonesians refused to agree to an effective withdrawal of Indonesian-supported guerrillas in North Borneo, the conferences were terminated.

After desperate efforts by Thanat and Lopez (reported in Bangkok's 1471)<sup>2</sup> Razak was persuaded to get off the airplane at the Bangkok airport and return to the city, where he is presumably waiting for the next development. No further conferences have been scheduled, although the parties remain in Bangkok.

Yesterday Mr. Renouf, Beale's DCM, came to see me, after having seen the Department, to tell us that Sir Garfield Barwick had told the Tunku he agreed that there could be no meeting of the three Chiefs of State until the Indonesian guerrillas had been withdrawn, and that there was at present no cease-fire. We do not know what advice, if any, the British had given the Tunku before the meeting; but we are trying to find out.

According to Thanat, Subandrio said he was prepared to go along with the principle that guerrillas should be withdrawn, such withdrawal to start as soon as political discussions start, and to be paced according to the progress of the discussions. His position is apparently unacceptable to the Malaysians.

Yesterday the Malaysians issued a communiqué<sup>3</sup> which charged Indonesia with breaking the cease-fire arranged by the Attorney General. The communiqué ended by saying, "Since the cease-fire has been repeatedly violated by the Indonesians, it would be futile to regard the cease-fire as operative." As of the moment, the Malaysians have not

<sup>1</sup> Source: Johnson Library, National Security File, Country File, Malaysia, Vol. I, Memos, 11/63-3/64, Secret.

<sup>2</sup> Dated March 5. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 3 MAPHILINDO)

<sup>3</sup> The text was transmitted in telegram 1464 from Kuala Lumpur, March 5. (Ibid., POL 32-1 INDON-MALAYSIA)

yet requested the Thais to send any observers to North Borneo to observe and report on the alleged violations.

I have learned this morning that Ambassador Beale has requested an appointment with Governor Harriman for tomorrow (Harriman is in Denver today). We have been told very informally (and this knowledge must be protected) that Beale intends to present an Australian paper on what should be done in the case of an escalation of the dispute between Indonesia and Malaysia.

*Comment:* It does not seem to me to be in the interest of the United States to see a breakdown of the cease-fire negotiated by the Attorney General, nor to permit our British and Australian friends to believe that we will participate in planning for an escalation of this conflict. I don't understand how we can fail to use every lever at our command to prevent the outbreak of another ugly war behind our backs while we are fighting in South Vietnam. I do not see how we can avoid being drawn into such a conflict in view of our relations with the parties, relations which are based both on politics and, in the case of Australia, on a treaty.

We should also not forget that the Philippine attitude toward our bases there would be equivocal, to say the least if such a conflict started.

In the longer range, I don't see how there is any hope of maintaining a Western presence in Asia if we cannot somehow avoid having one of the three most powerful non-Chinese countries become actively hostile to the West. The surest way to have this happen would be for us to stand idly by and let events take their course. That is what we are now doing.

We should tell the Malaysians, British and Australians that in our view the cease-fire must be maintained, the Thais must be asked to go to North Borneo and the conference should break up in an atmosphere in which another conference is still possible. We should say publicly that we hope the cease-fire will remain in effect.<sup>4</sup>

**MVF**

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<sup>4</sup> In the margin next to the last paragraph Bundy wrote: "Cuthell."

**36. Memorandum From Robert W. Komer of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, March 11, 1964.

McGB—

We're slowly nursing Indo-Malaysian talks along (with Thai and Phil help), not because of any great optimism but in hopes something may turn up.<sup>2</sup>

Indos and Malays still growling at each other, but neither seems disposed yet to make a definite break. I'm fascinated that Indos, though continuing infiltration, seem more defensive and unsure of selves.

Talk now is about Lopez formula: (a) disengagement, i.e. gradual withdrawal; (b) simultaneous renewal political discussions; (c) agreement in principle to Summit after Malaysia 25 April elections. Indos boggling at withdrawal w/o clear understanding Malays will talk; Malays adamant against talking w/o substantial Indo withdrawals.

I'm urging State find quiet ways to clue Indos we're getting fed up, as just about last lever *we* have on Sukarno (it ain't much). Somehow we haven't gotten through to the Bung that he can no longer count on us. But as long as this pot just simmers, let's not stir it up.

**RWK**

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Malaysia, Vol. I, Memos, 11/63-3/64. Secret.

<sup>2</sup> Reports of the Maphilindo Ministerial meeting and on the respective attitudes of the leaders of the governments participating are in telegrams 1496 from Bangkok, March 6; 795 from Kuala Lumpur, March 6; and 1855 from Djakarta, March 7. (All National Archives and Records Administration, RG 59, Central Files 1964-66, POL 3 MAPHILINDO)

**37. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, March 12, 1964, 4 p.m.

1890. Deptel 946 sent KL 741,<sup>2</sup> Embtel 1832.<sup>3</sup> Further comments to second refTel follow:

1. I and other members of my staff in contact with key members GOI and military leaders have for past several months been using most of arguments presented in first refTel and we will continue use them. Difficult to say what effect our argumentation has had. Our representations have not perceptibly succeeded slowing down confrontation. There even may be danger that, given Indo psychology, our showing too much worry about their problems counter-productive. Subandrio recently quipped to diplomatic group in my presence: "Americans are more worried about ceasefire than we are." Nevertheless believe we should continue try deflect them through reminder several adverse consequences their current policies and actions lest they tend brush these under rug.

2. We do not believe that Sukarno either going down road of confrontation alone with support dragging its feet or that he primarily responding to pressure from military or others (although PKI is of course trying its best to push him). Sukarno is calling shots.

3. Re attitude of military, we believe following are salient aspects. Military leaders:

(a) Want to stay ahead of PKI and assert leadership on emotional national issue (remembering they nearly lost leadership to PKI in case West Irian);

(b) Have no intention letting confrontation develop into real war. Even threats resupply to guerrillas probably more for propaganda reasons than otherwise. High ranking officer just last day or two told Col. Benson "They can take care of themselves;"

(c) Think that in carefully muted and orchestrated guerrilla effort (not "all out" confrontation) Indo has winning proposition (we believe that in long run, subject of course to unpredictable actions others, they may be right);

(d) Are prepared to react to PKI moves which they are confident they can handle but have no other plans for taking over and improving nation;

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Secret; Limdis. Repeated to Kuala Lumpur.

<sup>2</sup> Document 33.

<sup>3</sup> See footnote 4, Document 33.

(e) Like civilian leaders, support Sukarno because they feel they have no choice but to keep their position and wait for something to turn up;

(f) Are aware that economic situation is tough but do not believe it involves political risks they cannot contain or that will seriously limit their actions; besides, they themselves as privileged elite do not feel effect and pinch to extent most other Indos do;

(g) Have, together with some civilian leaders, keen recollection way situations have developed in Korea, Vietnam, Laos, Cuba and West Irian and their reading of these situations leads them to believe that advantage lies with guerrillas rather than with defenders. They regard gambles of escalation and economic hardship as minimal and worth taking.

4. Any promotion by us of crisis psychology here in respect to US-Indo relations plays into hands PKI whose objective is to cause rupture there. Granted pressures necessary to attempt to keep Sukarno from running wild, they should be calculated, low-key ones.

5. Specifically on numbered paragraphs of first reftel we offer seriatim following comments;

(1) We should avoid overestimating as well as underestimating effects on Indonesia (as well as on Malaysia) of confrontation. We are not convinced that Indo will be entirely strapped for aid. There have been reports credit offers presently in Indo hands of nearly \$500 million (admittedly, mostly for capital projects). Sov \$250 million credit of 1960, although earmarked for capital projects, could if USSR agrees be shifted to more pressing Indo needs. Sovs have given no recent indication of any intention to permit significant shift. Japan, Netherlands, Germany and France in descending order have given evidence willingness extend commercial credits which will establish them in potential Indo market. In recent talk here on TV, Sov Amb expanded on availability Sov aid and trade. Thus far Sov aid has been intended and has operated to strengthen GOI and has had little effect on PKI one way or other. Parenthetically there have probably never been more private foreign commercial representatives in Indo than at present time.

(2) Indos aware of risk escalation (which they assume, however, would throw conflict onto world level). Military leaders intend keep operations involving British in low gear and in jungles where they think they can in time win. They think they have initiative and can make it as hot or cold as they want and in this way safeguard against escalation.

(3) We assume these statements envisage major conflict and US involvement, such as meeting ANZUS commitments. Otherwise we believe GOI will try avoid break with us and we think US should also try to avoid break with Indo, unless provocation becomes intolerable.

(4) Indos probably believe and hope US and UK will see situation here in terms their individual interests and that this will work to divide them. We have emphasized, and confident they fully aware of, US commitments to ANZUS.

(5) In addition comment on possible material support above, we assume reluctance by USUN and others to see Malaysia issue thrown into UN indicates some potential A–A and Bloc support for GOI.

(6) With their theories “territorial warfare” Indo leaders probably see situation differently and very likely think that major assault by major power is unlikely because of fear by such power of escalation. In extreme circumstances they also apparently assume that Sov Bloc would come to their assistance. CAS has reports of informal offers of unspecified aid from ChiComs. They aware of and apparently willing take this risk, if forced into it, although will make every effort avoid escalation.

Additional and concluding comments and recommendations:

(a) US objective in Western Pacific of keeping Indo in free world orbit or at least denying area to Bloc seems to us to be overriding consideration in our approach to Malaysia problem, subject only to US policy interest in creation of secure, stable and viable Malaysia.

(b) We would think that reasons which have led US AID complete break with Cambodia despite Sihanouk’s provocations would apply in even more important and convincing way in case of Indonesia, up to point of intolerability.

(c) US should insofar as possible avoid quarreling directly with Indo on Malaysia, continue to urge ceasefire and talks seeking political settlement; and preserve US presence Indo.

(d) US should at same time avoid both becoming involved militarily or in being trapped into sponsoring particular compromise or being drawn directly into the negotiating picture in any manner which would give Indos further advantage.

(e) So long as present Malaysian crisis continues, US should, with certain exceptions which are clearly in our interest, respond to Indo requests for additional economic and military assistance with expressions of regret that we must await settlement Malaysian problem (exception to this would be US support for relief of hunger through shipment surplus agricultural products under Titles II and III of PL 480<sup>4</sup> and, to extent possible, support for civic action and permissible military training).

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<sup>4</sup> Public Law 480, Agricultural Trade and Development Assistance Act of 1954 (“Food for Peace”), enacted July 10, 1954, 68 Stat 454. Section II is entitled “Famine Relief and Other Assistance,” Section III is “General Provisions.”

(f) In tune with many key Indos who would prefer policies more acceptable to us, we should wait with patience and forbearance until new leadership appears.

Jones

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**38. Letter From Secretary of State Rusk to Secretary of State for Foreign Affairs Butler<sup>1</sup>**

Washington, March 13, 1964.

Dear Rab:

I appreciate your March 6 letter,<sup>2</sup> succinctly setting forth the dilemma we all face in trying to ease the situation between Indonesia and Malaysia.

Prospects for a negotiated settlement certainly are not particularly bright at the moment, although I do feel there is still a chance that our continued efforts can eventually bridge the gap between them. The second Bangkok meeting was disappointing in many respects. It did, however, produce Lopez' three-point formula which, if the Indonesians can be induced to accept it, may still serve to keep negotiations alive and to lead to the withdrawal of the Indonesian guerrillas. As you know, we have been pressing Sukarno hard to accept this formula. Although the results are still inconclusive, we believe—perhaps over-optimistically—that we can detect some slight movement in the hitherto intransigent Indonesian position. We will continue our efforts.

In this connection, I am happy to see that your efforts to dissuade the Tunku from declaring "general mobilization" have so far been successful. A gesture of this sort could only have exacerbated the situation to Malaysia's disadvantage while adding little to Malaysia's strength. Although the limited call up actually proclaimed by the Ma-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret. No drafting information appears on the memorandum, but the covering memorandum from Hilsman to Rusk was drafted by Ingraham and cleared in draft with Willis Armstrong (EUR/BNP) and William Buffum (IO/UNP).

<sup>2</sup> Attached, but not printed. In this letter Butler put forward three possible actions: (1) a Malaysian request, backed by all the Western Powers, for an early meeting of the Security Council; (2) an unmistakable warning from the United States to Sukarno that failure to withdraw Indonesian guerrillas and resume negotiations would entail full U.S. support for Malaysia; or (3) joint representations by such Asian Powers as Japan, the Philippines, Thailand, and others to Indonesia.



laysians may evoke some noise from Djakarta, it should have considerably less impact than would a general mobilization call.

If our current efforts to make some use of the Lopez formula should fail, a fresh initiative of some sort may be possible to maintain the hope of a peaceful settlement. The precise form such initiative should take, however, will probably have to be determined pretty much on an ad hoc basis in the light of the precise positions of each side at the moment the failure becomes apparent.

It may be, however, that we will eventually be forced to the conclusion that further negotiations between the principals have no chance of success. This could come about if it became certain beyond doubt that Sukarno was unwilling to call off his military confrontation without concessions that would threaten Malaysia's basic interests. I do not think we have come to that point yet, however, and I doubt that detailed contingency planning to meet it would be profitable at this stage.

Since the need for a fresh initiative may shortly arise, I have examined with interest the three specific possibilities you suggest.

As you know, we would be reluctant to see the dispute brought before the Security Council at the present moment. Our delegations in New York have examined this possibility and concluded that a referral to Security Council at this time would not be in Malaysia's interest. We by no means preclude resort to the Security Council if all prospects for direct negotiations are foreclosed or if the Indonesians intensify the scale of their military activities, but we doubt that the time is yet ripe for this. I believe that the contingency planning carried out by our delegations in New York will permit us to move into the Security Council with minimum delay once the decision is taken.

As to your second suggestion, you know that we have been putting sustained direct pressure on Sukarno to modify his position. In the process, we have made clear to him that we have reached a watershed in our relations with Indonesia and that the future course of these relations depends on his actions in the dispute. Our aid has already been cut to the point at which it will soon consist of little more than training—actually more beneficial to us in terms of influencing the next generation than it is to Sukarno. He has been put on notice that even this aid may well be cut off unless the situation eases. Beyond this, we have made sure that he is fully aware of the ANZUS implications in the situation.

As you can see, we have in effect already warned Sukarno that the friendship of the United States and any prospect of future support from the United States will be lost to him unless he modifies his position. We will repeat this warning as often as seems useful, and if it fails to move him we will implement it.

As to your third point, there may be merit in examining the possibility of bringing other Asian powers into the scene, either individually or jointly. On the other hand, two of the countries you mentioned—Thailand and the Philippines—are already in the thick of it, and we would not want to supersede their current efforts until they have run their course.

You can be sure that, from our side, we do not wish to see things drift in this dangerous situation. Our officials and yours are in close contact at a number of levels, and we will continue to explore, jointly, every opening we can detect.<sup>3</sup>

With warm regards,

Sincerely,

Dean Rusk<sup>4</sup>

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<sup>3</sup> On March 19 Butler responded to this letter by expressing skepticism about Sukarno's qualified acceptance of the Lopez formula. Butler wondered how the Tunku, who was facing an election, could accept a secret assurance in the face of public Indonesian statements that the cease-fire was over and intensified military operations were about to begin. Butler would not try to influence Malaysia against the formula, but he doubted much would happen until after the Malaysian elections. (Letter from Butler to Rusk, March 19; Johnson Library, National Security File, Country File, Malaysia, Vol. I, Memos, 11/63-3/64) For a summary of the Lopez formula, see Document 36. Rusk responded to Butler in a March 27 letter basically agreeing with him, but suggesting that Indonesia's internal troubles were best exploited by "continuing to hold open to him the door through which he can beat a diplomatic retreat rather than by shutting it in his face." (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA)

<sup>4</sup> Printed from a copy that indicates Rusk signed the original.

### 39. Telegram From the Department of State to the Embassy in Malaysia<sup>1</sup>

Washington, March 17, 1964, 7:52 p.m.

794. Djakarta's 1920.<sup>2</sup> Sukarno's conditional acceptance Lopez formula could be significant step in breaking current impasse if all parties prepared follow it up. As we see situation, our immediate objectives are (a) to halt further Indo guerrilla buildup in East Malaysia and to start process of withdrawal, and (b) to provide forum for continuing tripartite talks to fill gap until Malaysian elections and, hopefully, to start preliminary discussion political settlement. Sukarno's agreement seems offer hope of achieving both.

Most obvious hazards in next few days would seem include following: Actual wording of conditions attached to GOI acceptance could deviate so widely from that stated in reftel or could be couched in such offensive language as to preclude Malaysian acceptance. Even if wording follows that specified in reftel, Malaysians may still back off from position stated by Razak in Bangkok or insist on further clarification Indo position. Tunku might also yield to temptation and start crowing publicly about Malaysian victory. Or Lopez could decide cap his success by leaking whole story to press.

We would appreciate posts' suggestions on how best exploit situation and avoid hazards. Not much can be done, of course, until we see what Thanat actually gets from GOI.

One problem to be faced if Indos accept formula is that of publicity. While desirable that Sukarno's strict injunction against publicizing arrangement be observed, record for secrecy in past somewhat similar circumstances very poor. Formal public reference of some sort to effect discussions being resumed would probably be necessary to minimize press speculation when becomes known Ambassadors getting together in Bangkok. Difficult to see how Malaysians could agree to any publicity on talks, however, unless they could tell their people GOI had agreed

<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Confidential; Immediate. Drafted by Ingraham, cleared with Cuthell, and approved by Green. Also sent to Manila and Bangkok and repeated to Djakarta, London, Canberra, and CINCPAC for POLAD.

<sup>2</sup> In telegram 1920 from Djakarta, March 17, Jones reported that after a meeting with Subandrio and Sukarno, they agreed to accept the Lopez formula provided all parties agreed that Malaysia was prepared to commence high-level talks on a political settlement when actual disengagement began and would not be rigid on timing for withdrawals. For the time being Indonesia would continue ambassadorial talks with the same understanding on disengagement as would be applied to ministerial talks. Furthermore, there could be no publicity about the Lopez formula agreement. If the Lopez formula was made public, Indonesia would deny it had agreed to it. (Ibid.)

start withdrawals. Might be possible resolve this problem if Thanat would make brief non-committal public statement along following lines after clearing it with all three principals: "As result diplomatic conversations carried on at second Bangkok meeting, Indos, Malaysians and Phils have agreed take certain measures to relieve tensions in area. Further exploratory talks between Ambassadors of the three countries in Bangkok will be taking place in coming weeks." Would appreciate posts' reactions.

Pending promised GOI message to Thanat, we believe it best not discuss Indo acceptance with anyone except Thanat, UK and Australians. British and Australian Embassies Washington given summary refel today and will inform their governments we prefer no discussion with GOM or GOP until Indos act.

*For Bangkok:* Thanat should be given full summary Jones-Sukarno meeting soonest. Should briefly outline what we foresee in way hazards and stimulate his thinking on ways to make most of situation. FYI. One important objective is to keep him actively involved and forestall any tendency phase himself out. End FYI. Should point out that this development obviously supersedes current exchange between Lopez and GOM through RTG on question timing of withdrawals and summit (Bangkok's 1575),<sup>3</sup> and express hope he can keep this unprofitable exchange from jeopardizing chances of exploiting Indo acceptance Lopez formula.

*For Kuala Lumpur and Manila:* For time being you should limit selves to telling govts that Ambassador Jones making progress with GOI in terms Lopez formula, that we believe there good possibility of constructive GOI action soon, and that we suggest this be given chance to develop by few days of quiet.

Rusk

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<sup>3</sup> Dated March 17. (Ibid.)

**40. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, March 19, 1964.

1943. Embtel 1854.<sup>2</sup> Gen Nasution recently indicated interest in follow-up of talk reported reftel and I spent hour and half with him yesterday morning. Highlights of this conversation follow:

1. Regardless of how Malaysian dispute develops, Nasution is concerned with preservation long range relationship with US Govt. To that end, he considers it vital for US to maintain some continuing link with Indo army. He recognizes current strains in relationships but armed forces are strongly pro-US and anti-PKI. It is of vital importance to US and to Indonesia that certain programs in support of armed forces continue. Appreciating political limitations we face, he said training of military officers in US and civic action program in Indonesia must continue as investment in future. He felt so strongly about this he asked me if I could arrange to send a personal message from him to Secy Harriman, Gen Maxwell Taylor and Robert Kennedy. I said I would be glad to do so and will transmit message as soon as received.

2. I explained difficulties which faced US in continuing aid to Indonesia and spelled out implications of amendments to aid bill. I pointed out that if Indo army continues to be involved in sponsoring "aggression" in Borneo, it would be next to impossible for US to help, even though we too were concerned about long range relationships.

3. Nasution felt that no real solution to Malaysia dispute was possible within immediate future because of hard positions on both sides. He wants talks to continue because there is always hope that solution will be found but he is not optimistic. He understands Tunku's position ("I have never criticized the Tunku even though I disagree with him," he pointed out) and his political problems. He also indicated frankly that in his view Sukarno needed to continue confrontation policy in order to induce his people to accept hardships of current economic situation. To this I retorted that way to solve economic situation was to end confrontation—economic situation did not have to be "accepted."

4. Expanding on his reasons for pessimism over likelihood of settlement, Nasution said Sukarno was still holding to position that, pur-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Secret; Limdis; Noform. Repeated to Kuala Lumpur, Manila, and CINCPAC for POLAD. There was no time of dispatch on the telegram, which was received at the Department of State at 6:59 a.m., March 19.

<sup>2</sup> See footnote 4, Document 33.

suant to agreement reached in Manila, some form of plebiscite or referendum must be held to confirm public opinion in Sarawak and Sabah favored joining Malaysia. Nasution did not think, even after April election that Tunku would consider this. Therefore, he expected talks to break down, cease fire to break down. If this happened, he would do his utmost to prevent escalation of struggle and believed it could be kept within confines of small guerrilla action. He said he still had officer friends in Malaysian army with whom he was in quiet communication and that they too were anxious to avoid open conflict. I pointed out seriousness of Indo position internationally if "aggression" in form of insertion new guerrillas into Borneo continued, also inconsistency in his expecting US to support Indo army in any way when same army was responsible for these actions. Nasution took me up on word "responsible." He said his govt was responsible for whatever decisions might be made, that army was forced to carry out decisions of govt. He appeared to be saying that time would come when situation might be different and meanwhile it was vital to our mutual interests not to destroy confidence and communication which presently existed between Indo army, particularly, and US army.

5. As to resolution of impasse over Malaysia Nasution thought political changes in either Kuala Lumpur or Djakarta might be required before real solution to Malaysian dispute would be possible. He added caveat which I did not ask him to explain "unless God intervenes."

6. In response my question as to how much control Indo army actually had over guerrillas, Nasution replied, "Complete control over Indo volunteers" but probably very little control over remainder.

7. I asked Nasution whether army would take action against PKI if party attempted exploit current economic difficulties through strikes, riots, etc. He said PKI was still supporting Sukarno and would not go so far as to adopt tactics directed at Sukarno. If PKI did, however, Madiun (1948 crushing of PKI attempted coup) would be mild compared with army crackdown today. He said Sukarno had personally ordered PKI recently to stop aggravating economic difficulties and food situation by exploiting it for propaganda purposes.

8. What about PKI in important executive posts in cabinet, I asked in recent meeting. Following PKI report on seriousness of economic and food situation, Nasution said Sukarno had offered cabinet post to anyone who would guarantee to solve problems. There were no takers. Army was still against PKI in executive cabinet, he said. But important thing was not formal structure of cabinet. Thus Justice Min and Education Min were leftists if not actually PKI members, but neither were in small power group which made decisions. Nasution implied Sukarno's continuing tactic was to subordinate PKI in ways which resulted in dilution PKI influence in conduct of govt.

9. Situation in Sarawak and Sabah, according to Nasution, could be summarized about as follows: There were 1,000 trained guerrillas in area of which one-third were native to area, one-third were youth volunteers from Indo army and veterans. These men were trained to expand their influence so that presumably six to ten times their number could be counted upon.<sup>3</sup>

Col George Benson and Gen Marjadi were present during conversation.

Jones

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<sup>3</sup> The CIA estimated that there were 400–500 Indonesian reinforcements on the Malaysian Borneo border ready to cross into Malaysia at any time. They estimated that there were 800–870 guerrillas in Borneo and 1,600 Indonesian guerrillas committed to confrontation with Malaysia. (Memorandum from McCafferty to McGeorge Bundy, March 11; Johnson Library, National Security File, Country File, Indonesia, Vol. IV, Memos, 3/65–9/65)

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**41. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, April 10, 1964, 11 a.m.

2119. Deptel 1093.<sup>2</sup> I had hour and half talk with Sukarno alone this morning, at least half of time being devoted to discussion of problems connected with possibility of peaceful settlement of Malaysia dispute.

Despite absence of Subandrio who was tied up with preparatory AA conference, I decided to make all points in ref tel as I concluded I would not have another opportunity until after AA conference. In

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDO–MALAYSIA. Confidential; Priority. Repeated to Bangkok, Canberra, Kuala Lumpur, Manila, London, Singapore, CINCPAC for POLAD, and USUN.

<sup>2</sup> In telegram 1093, April 8, the Department instructed Jones to meet with Sukarno and Subandrio and “steer them back toward tolerable position” by stressing that it seemed that Indonesia had retreated from its acceptance on the Lopez formula; was taking a new hard line on guerrilla withdrawals and, in fact, was intensifying its campaign; and seemed to be trying to force Tunku to accept a summit without prior guerrilla withdrawals. Jones was to state that if Indonesia sincerely wanted a peaceful settlement, it must “(a) cease equivocations and accept Lopez formula in accordance procedure agreed to at March 17 meeting, and (b) call immediate halt to guerrilla reinforcements and terrorist activities.” (Ibid.)

doing so, however, I told Sukarno I hoped that he and I and Subandrio could hold meeting together in near future to clarify issues in connection this question once and for all.

Sukarno denied flatly that Indos had changed their position since March 17 understanding had been reached (Embtel 1920 to Dept)<sup>3</sup> except with regard to continuing tripartite talks at Ambassadorial instead Min level. In all other respects he reconfirmed position as reported reftel—indeed I read him excerpt from reftel which he confirmed as representing his attitude. He had reconsidered question of Ambassadorial talks he said because he was convinced they would not get anywhere and he preferred Ministerial talks, although he repeated he was quite prepared to enter summit talks without preparatory talks. I pointed out difficulties of this in view of fact that Tunku could not be expected to enter summit talks unless guerrillas had been withdrawn.

I felt Ministerial talks would be necessary to accomplish dual purpose of withdrawal of guerrillas and achieving progress toward political formula for settlement. Sukarno indicated he was agreeable to this, "We have not shifted our position," he repeated.

During course of discussion I bore down heavily on Yani's public statement that cease fire means legalization guerrilla pockets and of Indo moves to reinforce Borneo guerrillas and mount terrorist campaign in mainland Malaysia. Sukarno denied flatly that Yani's statement meant what I implied. He said it was simply a matter of semantics and not intention to distort cease fire understanding reached with Attorney General. It was he said simply another way of saying "standfast." He then repeated what he understood cease fire to mean: (1) no shooting; (2) standfast; (3) no mopping up; (4) no withdrawal. He admitted cease fire had been only partially successful, then accused British troops of "bestiality, not merely atrocity" in decapitating captured guerrilla by putting rope around his neck attached to a helicopter.

My comment on terrorist campaign in mainland drew fire. Sukarno denied these were Indo guerrillas, said I must remember there were many Malays on mainland whose sympathies did not lie with Malaysia. Then accused British-Malaysians of planning bombings and ambush in south Sulawesi. When I pressed him for evidence, he said GOI had this week arrested two Malaysians in Djakarta who confessed. He assured me with some heat that foreign support of recent troubles in Sulawesi had been established.

Reverting to peaceful settlement of Malaysia dispute, Sukarno said he could not understand why everybody seemed to think that it was so difficult a problem. "The whole mess can be cleared up by one

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<sup>3</sup> See footnote 2, Document 39.



simple act” he said—then referred in general terms to some method of implementing Manila agreement by ascertainment of public opinion in Kalimantan. “My position is clear” Sukarno said, “I prefer Sarawak and Sabah as free nations to join other free nations within framework of Maphilindo” but he insisted “if they stick to Malaysia, if Kalimantan people prefer to join Malaysia, I will also recognize Malaysia.” He then repeated earlier statement that said he had felt “insulted and humiliated” over establishment of Malaysia on Sept 16 before the UN survey had been completed. This was “real tearing up of Manila agreement” he said hotly.

In commenting on the Washington–Bangkok feeling that Indos had shifted their position, Sukarno revealed that Gen Yani had had frank talk with Thai General who was here to discuss sending observers to Kalimantan and had outlined Indo position as I had reported it.

At another point, Sukarno revealed his intention to wage vigorous campaign to get second AA conference to condemn Malaysia. I pointed out conference was long way off, probably would not be held until next fall—did he mean he had no intention to reach political settlement in interim? “Tell the Tunku to put a little water in the wine,” he said in indicating clearly that he did want a settlement but that as Subandrio had put it, GOM should “sweeten the pill.”

Jones

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#### 42. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>

Washington, April 14, 1964, 7:24 p.m.

1120. Post-SEATO Ambassadors’ meeting in Manila<sup>2</sup> should provide opportunity for thoroughgoing assessment current status Indonesia–Malaysia dispute, prognosis, and critique our current policies.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Secret; Priority. Drafted by Ingraham, Ballantyne, and Moscotti, cleared by Cuthell, Barnett, and Frazier Meade (EUR/BN). Also sent to Kuala Lumpur, Manila also for Bundy, and Bangkok and repeated to London, Canberra, and CINCPAC also for POLAD.

<sup>2</sup> The Ninth SEATO Ministerial meeting in Manila was held April 13–15. Secretary Rusk discussed the Indonesia–Malaysia dispute with President Macapagal on April 12 and the Malaysian military situation with British Minister without portfolio, Lord Carrington, on April 13. Accounts of these discussions are in US/MC/4 part IV, April 12, and US/MC/6, part IX, April 13. (Ibid., POL SEATO 3 and POL 32–1 INDON–MALAYSIA, respectively) A complete set of Rusk’s memoranda of conversation at the SEATO meeting in Manila is ibid., S/S–Conference Files: Lot 66 D 110, CF 2379.

As Department sees it, present situation approximately as follows:

1. Indonesia: Re immediate situation, Sukarno apparently either (a) believes that he has made offer to Malaysians which should permit resumption negotiations and that ball now in Tunku's court, or (b) has done no such thing but wants us think he has. Thus he has just reiterated to Ambassador Jones his acceptance Lopez formula along lines he agreed to on March 17 and has ended his April 13 speech with call for Tunku reply to his remarks. Discrepancy between his comments and Subandrio's hard line in Bangkok (Bangkok's 1718)<sup>3</sup> still unexplained. Basic fact is that he has not communicated acceptance to Thanat.

In wider context, direction Sukarno now heading particularly hard to fathom, perhaps because it reflects uncertainty among Indos themselves. As far as Sukarno has coherent policy, would seem be along lines suggested Deptel 1093 to Djakarta,<sup>4</sup> i.e. stepped up military and subversive pressure to force early unconditional summit. Still open question what he hopes get from summit, although his comments to Ambassador Jones (Djakarta's 2119)<sup>5</sup> indicate he still pushing plebiscite, possibly as "face-saver" but possibly also to permit further disruptive tactics in Borneo.

Meanwhile, all indications are that Indo economy heading toward severe crisis by next fall which could seriously shake even Sukarno regime, hitherto immune to internal economic pressures.

2. Malaysia: All parties to dispute seem to agree no real progress toward settlement possible prior April 25 elections. Meanwhile Tunku's energetic defiance Indonesia, while understandable, not making things any easier. Even after elections little chance Malaysians will be prepared to budge on principle of no negotiations until guerrillas start withdrawing and no summit until they substantially withdrawn. They see nothing to convince them that Indos not bent on implementation "crush Malaysia" policy and are reacting accordingly. Presumably they deriving comfort from obvious plight Indo economy and latest reports Sulawesi dissidence, which they take as strengthening their hopes for removal Indo threat by breakup of Indonesia.

On military side, stepped up Indo guerrilla and terrorist activity is building up pressure for active British-Malaysian retaliation despite damage this could do to Malaysian position before world.

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<sup>3</sup> In telegram 1718 from Bangkok, April 8, the Embassy reported that Thanat, after an extended conversation with Subandrio, was convinced that the Indonesians were not prepared to withdraw prior to political talks or a summit; there was no chance of progress until after the elections in Malaysia; and the Indonesians were not going to be pinned down as to interpretations of the Lopez formula. (Ibid., Central Files 1964-66, POL 3 MAPHILINDO)

<sup>4</sup> See footnote 2, Document 41.

<sup>5</sup> Document 41.

3. Philippines: Since his trip to Indonesia and in atmosphere of increasing domestic criticism for following in wake of Indos, Macapagal has made tangible moves to bring Phil position onto more truly middle ground between prime disputants, establishing space between himself and Sukarno's hard line. While this has had no apparent restraining influence on Sukarno, it has served to improve somewhat GOP relations with Malaysia. Basically, Macapagal has kept Phil policy in harmony with U.S. approach to Sukarno and will be watching for any changes in this respect on our part.

4. United States: Tactics we have used to date—quiet pressure on all sides toward moderation, encouraging negotiations within "Asian" context, continuing but limiting aid to Indo, refraining from taking sides openly despite overwhelming U.S. public sympathy for Malaysia—may have prevented more serious blowup but have not yet brought settlement within sight. Our current efforts revolve around Lopez formula which, despite ambiguities, is only proposal now afloat that promises channel for resumption direct negotiations. Time available to us for generating progress toward settlement, however, is running out. With fiscal year nearing end, Presidential Determination cannot long be withheld. Unless Indos stop escalating guerrilla activities and resume negotiations, will be almost impossible expect decision favorable to Indo.

With foregoing analysis in mind, would be most helpful to Department if Ambassadors could examine situation both from immediate tactical viewpoint and in wider context broad U.S. policy.<sup>6</sup> We must of course take British interests and current intentions into account. Among questions in former category which you might consider are following (list is by no means all-inclusive):

1. Current efforts to revive negotiations: Does Lopez formula still hold any real promise in getting negotiations resumed? If so, how can we encourage its implementation? If not, are there any alternative ways of getting parties together? Is this desirable objective prior elections or should we sit it out until after April 25?

2. Observers: We continue think it highly desirable get Thai observers deployed soonest. Do Ambassadors agree? What are present prospects getting Thai observers moving, and is there anything we can do speed process? If we must write off Thai observers, are there any other ways by which neutral entities can be placed in position to police ceasefire and build up record Indo violations for possible later use?

3. Phil-Malaysian relations: How can we speed up lagging process of establishing consular relations?

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<sup>6</sup> See Document 43.

4. Military situation: What is most likely Indo objective in stepping up guerrilla incursions and mainland terrorism, and how much farther do they intend go? How close are British and Malaysians to decision on border-crossing retaliation? How effective are contemplated retaliatory measures likely to be and what would be Indo reaction? Assuming retaliation undesirable, what alternatives have British and Malaysians to discourage Indo buildup? Do we have any remaining leverage that might get Indos to taper off, and if so, how do we apply it?

5. Internal dissidence in Sulawesi: How serious is it and how much will it limit Indo escalation military confrontation? Any chance it spreading other areas? Any indications outside encouragement and support for dissidents?

6. Political settlement: Assuming (a) Sukarno must have some sort "pill-sweetener" and (b) Malaysians cannot accept formal Borneo plebiscite or similar arrangement which would cast their sovereignty or prestige in doubt, is there some middle ground where both could meet if they were brought together? What appear to be rock-bottom Indo conditions for settlement? What are maximum conditions Malaysians could be expected accept?

In addition foregoing tactical questions, we are suggesting Ambassadors also take wider look at current U.S. strategy. You should consider, for example, whether our present policy of active but indirect and relatively disinterested involvement should be continued or whether alternative might better meet our interests. Among possible alternatives are (a) disengagement, tapering off our mediatory efforts, attempting maintain minimum foothold in Indo, and waiting for economic attrition to bring Sukarno to knees; (b) increasing scope of our mediatory efforts, calling plays from quarterback slot rather than sidelines; (c) expending our remaining leverage on all-out effort deflect Sukarno, recognizing that we are out of Indonesia if we fail. This by no means inclusive list. Others, or mix of several, may occur to you. For example, you might consider possibility of encouraging larger role in Indonesia by other countries such as Dutch.

**Ball**

**43. Telegram From the Embassy in the Philippines to the Department of State<sup>1</sup>**

Manila, April 17, 1964, 6 p.m.

1609. Reference: Deptel 1605 to Manila.<sup>2</sup> Ambassadors held two meetings, one Wednesday<sup>3</sup> evening attended by Asst. Secy. Bundy and for a time by Secretary, and second on Thursday morning. Greatly appreciated having ref Deptel which gave central focus to discussions.

Following is summary of talks as they related to six questions set forth reftel. This not cleared by all participants and they may wish forward comments. Statements attributed to Secretary uncleared by him.

1. Ambs concluded they really don't know at present whether Lopez formula still holds any real promise in getting negotiations resumed. Amb. Jones reported that Sukarno has said he would begin withdrawal his troops with beginning political talks and would continue withdrawal in conformity progress of such talks. Amb. Bell said Malaysians have had no official notification of GOI position. Amb. Jones plans ask Sukarno at meeting scheduled for April 21 whether his March 17 position still stands and if so urge Sukarno to inform Tunku through Thais. Said would be helpful if he could tell Sukarno that Tunku still prepared accept Sukarno interpretation of Lopez formula. Amb. Bell said Tunku had been prepared accept it on March 18 and probably still prepared do so. Outcome Jones meeting with Sukarno on 21st should give some indication whether Lopez formula can be useful.

Prospect for Ministerial meeting seems dim. Best bet probably to try for summit. President Macapagal thinks there some chance for summit meeting after April 25 elections in Malaysia. He regards this as last chance. Appears have some reasons, not fully revealed to us, for believing he can bring it about. Ambs agreed that we should sit it out until after April 25.

2. Ambs not at all sure it continues be highly desirable get Thai observers deployed soonest because: (1) Malaysians and Indonesians have failed agree on any clear terms of reference for the observers; (2) as a result Thais are fed up with the idea of their prospective observer

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Secret; Priority; Limdis. Repeated to Jakarta, Kuala Lumpur, Saigon also for Bundy, CINCPAC for POLAD, Canberra, London, and Tokyo.

<sup>2</sup> Same as telegram 1120 to Jakarta, Document 42.

<sup>3</sup> April 15.

role and apprehensive their friendly relationship with parties concerned could become prejudiced or misunderstood; (3) if Brits are contemplating step-up of their actions to include possible hot pursuit, Thais could be placed in embarrassing position should Indos call upon observers to investigate a British action. One reason for pushing observer idea is to build up evidence against Indos for possible use in case issue brought to UN. Observer citations against Brits would work against us. Moreover, we reluctant have issue brought into UN because desire avoid getting into UN Charter Article 19 matter.

Ambs concluded that while we might be able pressure Thais into taking up observer role, it not worth the political cost in terms our relations with Thais, unless some clearcut advantage to be gained, which doubtful. Ambs thought careful consideration should be given to questions of what would be responsibilities of observers, and what would result from observer system if Brits step up level their activities.

Only possible alternative to Thai observers appeared be Japanese, who have been anxious to play constructive role; but Ambs believe Japanese involvement inadvisable.

3. Ambs reviewed current status of process establishing consular relations between Malaysians and Phils. Agreed Phils wanted to have Consul General level in order carry on diplomatic communications through consular relations, whereas Malaysians desire limit consuls to purely consular functions in order keep pressure on Phils establish normal diplomatic relations. Ambs have no specific recommendation how to speed up process establishing consular relations. Believe we should stand aside and problem will be resolved bilaterally.

4. Re Military Situation. Agreed there certainly is a build-up on Indonesian side of border which is alarming. Some of the Indo regulars are in on Malaysian side. Indos can keep this up indefinitely, and have capability step up considerably. Amb. Jones said he thought Sukarno genuinely wants some kind of settlement and that he does not want to exacerbate already deteriorating relations with U.S. Indonesian intention probably is to put maximum pressure on Malaysians to obtain a face-saving formula for settlement, after which military actions could be terminated and Indos would thereafter pursue their policies in the political domain. Nasution has said Indo objectives re Malaysia are long-term proposition. Regards Malaysia as unnatural structure which will ultimately collapse; but once a settlement of some kind reached, the military phase presumably would be finished at least for time being.

Malaysians and Australians consider very important that Sukarno not gain benefits from aggressive action. They do not believe Indos will step up the level of their action much, even though they unable achieve benefits they contemplate. British view is that Indos should be given "bloody nose." Amb. Jones said Indo military leaders had told

him they would do everything possible to avoid escalation. However, Amb. Jones thought Indos would react pretty violently to attacks into Indo territory.

British fear situation approaching point where Communist Chinese cadres will begin coming into Malaysia and taking over guerrilla operations. Perhaps British would like to see military situation escalate to point where would have war and ANZUS commitments could be invoked and burden thus passed to U.S.

Amb. outlined two related conceptions of way British say they see military problem. At border there are a number of main access trails. Guerrillas crossing from Indonesia must use these. Once across into Sarawak, the trails fairly quickly begin to bifurcate and branch out. Therefore essential stop guerrillas as they come across and before they get into belt where trails branch out and enable guerrillas to melt into countryside. Other version is that on Indonesian side there are number of military groups. They have good lateral communications. These groups can carry out feints at various points, while infiltrating group is pushed across elsewhere. What is required, Brits reason, is to break up these bilateral communications, or attack concentrations on Indo side. Amb. Jones said if Brits did that, it would probably mean real war.

5. Amb. Jones said Sukarno convinced British are involved in Sulawesi insurrection. No hard evidence of this, but there has been some recent increase in intensity of uprisings there and some rather sophisticated weapons being used.

6. Re political settlement, collective view was that Sukarno may well be seeking some kind of face-saving settlement. "Pill sweetener" would probably have to be some kind of ascertainment formula. Subandrio has said Indos want a plebiscite. Know they won't win, but this would give them something. Question arose as to why, if Sukarno really wants a political settlement he continues support volunteers and CCO and putting in regulars. Answer may be that this is pressure to get a settlement. Sukarno fears that if he pulls these out, Malaysians would say there is nothing more to talk about.

On Malaysian side, question is what could they give.

British have been against Tunku's trying for political settlement, because they don't think there is anything he could give. British think he might nonetheless give away his shirt if he went to a summit. It is possible that after elections, if Tunku had won by healthy margin, he might feel in strong enough position domestically to give something, perhaps ascertainment. However, a wide margin of victory in elections might have just opposite effect on Tunku, and increased UK and Australian military support might also be a factor.

Amb. concluded that important thing was to get resumption of negotiations, presumably at a summit meeting in Tokyo after Malaysian

elections. Question of just what formula might possibly emerge was one which the three Asian nations would have to figure out. Secretary, who was present during discussion of this point, agreed. Observed that Asians might ultimately agree on a "pill sweetener" which to U.S. would look more like a pickle. Secretary said he thought we ought to stay out of this until end of month and see how it goes.

In taking a wider look at current U.S. strategy, Ambs indicated no patience with Indonesian position. However, if Indos really are looking for a face-saving device to end military actions and would plan confine themselves to working out their objectives politically over long term, then we should continue our efforts to channel course of events so that Indos will have no other choice but to adhere to some kind of peaceful formula.

Best chance, perhaps last chance, lies in Macapagal's effort to get a summit at Tokyo after April 25; and this is something we may have to leave pretty much to Macapagal to bring off. We should stay on sidelines and not try to call plays from quarterback slot.

To achieve settlement, it necessary for Malaysians to agree to some kind of formula. Malaysians take position that it must be demonstrated to Sukarno that he can't gain advantage from show of force. Question is, who is going to demonstrate it? U.S. not interested in getting into this. Have hands full in South Vietnam, etc. Secretary observed during first meeting that he had told Barwick we not going to put in boys from Nebraska and Kansas just because Tunku won't go to a meeting. Extremely important that British do not initiate any cross-border actions at this time which would ruin chances for summit. They should continue exercise restraint little while longer until clearly apparent there is no hope of summit and settlement.

**Stevenson**



**44. Memorandum From Michael V. Forrestal of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, April 17, 1964.

SUBJECT

Indonesia

I have asked Cuthell in the Department of State and Poats in the AID Agency to prepare recommendations from their departments to the President, through the NSC, with respect to our policy in Indonesia.<sup>2</sup> When Bill Bundy and the Secretary return, they will review these recommendations, so that we should be able to have a meeting on the subject late Wednesday or Thursday of next week.<sup>3</sup>

I have in mind two principal matters for the meeting:

1. The President's approval of a telegram to Jones (a working draft of which is attached<sup>4</sup>), giving Jones guidance with respect to Sukarno's anticipated visit to the World's Fair on May 16th and a brief visit to the White House.

2. Consideration of the State/DOD/AID recommendations for continuance of limited assistance to Indonesia, subject to continuing review by the Secretaries of State and Defense in light of the diplomatic and military developments in the dispute between Malaysia and Indonesia. These recommendations will be supported by a political justification from State and a description of the current assistance programs to be prepared by Defense and AID.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. I, Memos, 11/63–4/64. Secret.

<sup>2</sup> Apparent reference to Document 48.

<sup>3</sup> No record of this meeting has been found. Rusk's Appointment Book does not indicate that he met on Wednesday, April 22 or Thursday, April 23 to discuss Indonesia. (Johnson Library)

<sup>4</sup> Attached, but not printed. The draft was sent as telegram 1163 to Djakarta, April 25, in which the Department stated that given the present atmosphere in the United States, President Johnson could not formally invite Sukarno to visit Washington in conjunction with his projected visit to the New York World's Fair. If Sukarno came to New York, the President would be prepared to receive him in Washington for a short, informal, and quiet visit on a time available basis. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 7 INDON) When Jones broached the question of the visit on April 29, Sukarno interrupted him to say that he appreciated the offer, but would not be able to come to the United States because of the uncertainties of the upcoming summit meeting on Malaysia. Sukarno subsequently designated Chaerul Saleh to represent Indonesia at the World's Fair. (Telegrams 1163 to Djakarta, April 25; 2248 from Djakarta, April 28; and 1187 to Djakarta, May 4; *ibid.*)

I would expect that from the meeting would emerge a Record of Action, showing the President's approval of the recommendations, which would be classified, but would be drafted in such a way that it could be made available to the Congress in compliance with the Broomfield Amendment.

Mike

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**45. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, April 29, 1964, 6:38 p.m.

1175. With Malaysian elections out of way, next phase in efforts develop solution to Indo-Malaysia dispute presumably will involve maneuvers to convene early summit meeting. As Department understands picture, Sukarno is evincing increasing anxiety to firm up summit for early May, with Tokyo preferred site. Reasons his anxiety include desire start world tour culminating at World Fair, and probably his growing awareness things going badly for Indo in confrontation as well (burgeoning economic troubles, Tunku's election triumph,<sup>2</sup> growing impatience with Indo shown by various Afro-Asians at Bandung II preparatory conference, Sulawesi dissidence, failure guerrilla-sabotage campaign weaken Malaysia, growing estrangement from West and drying up foreign aid, etc.). Macapagal, increasingly disenchanted with Sukarno and anxious score diplomatic triumph to hush internal critics, also strongly favors early summit and appears believe some as yet undefined basis for agreement at summit exists.

Tunku's attitude following unexpectedly decisive victory not yet clear. He may now regard his position as so strong he can afford meet Sukarno without fear repercussions at home. On other hand, confidence

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret; Priority. Drafted by Ingraham, cleared by Cuthell, Green, and Buffum, and approved by William Bundy. Also sent to Kuala Lumpur and Manila and repeated to London, Canberra, Bangkok, CINCPAC, and USUN.

<sup>2</sup> In a memorandum to McGeorge Bundy, April 27, Forrestal noted that the Tunku's victory was a "landslide" and had elections been country-wide (i.e., including Singapore and Borneo) the Tunku would have had a clear majority. Forrestal hoped that the victory "will make the Tunku feel braver about meeting with Sukarno; but we do not intend to press for such a meeting ourselves." Forrestal noted that Macapagal was trying to organize another summit. (Johnson Library, National Security File, Country File, Malaysia, Vol. II, Memos, 4/64-7/64)

generated by victory plus fact he won it on hard anti-Indo platform may stiffen him against any accommodation with Sukarno.

We see number of risks in early summit, particularly in absence any real indications grounds for settlement exist (see separate telegram this subject). If any such grounds exist we inclined favor summit, since (a) as shown during Manila summit last summer, principals can display unexpected flexibility on occasion and (b) summit would at least provide conclusive test Sukarno intentions.

We do not, however, feel USG should play direct role in promoting summit, as Sukarno has requested we do (Djakarta's 2225).<sup>3</sup> Latter appears as transparent maneuver designed generate US pressure on Tunku for early summit, put us in position of committing our prestige to its success, and avoid loss face and tactical disadvantage Indos fear they would accrue if they showed selves overly eager for summit by promoting it directly. Rather than play this sort of game, we believe our role should be limited to encouraging principals themselves to take necessary initiative.

In Sukarno's case, we think best tactic at this point would be to dispel any illusion that he can engineer summit painlessly by having us do work for him. This could bring him face to face with hard decision as to how much he prepared pay for summit, with world tour plans adding to his sense of urgency.

*For Djakarta:* Ambassador should see Sukarno, preferably in presence Subandrio, and draw on following points:

1. Department has considered his request USG explore possibility convening summit meeting and has decided we not in position do so. This decision based on number factors, including our continuing conviction Asians themselves must take initiative in solving their problems (as Sukarno himself constantly proclaims in public). We somewhat surprised, in fact, that Sukarno would ask us become involved in view prolonged GOI-encouraged anti-US campaign throughout Indo, in which alleged US interference Indo affairs has been constant theme.

2. If Sukarno truly interested in resuming negotiations, we urge him consider following: Major obstacle to progress in negotiations to date has been consistent Indo failure put forth concrete proposals or even make clear to others what they want. As one example, Subandrio April 7 offered provide Thanat with specific examples of what GOI meant by "pill-sweeteners" but to date we understand Thanat has received nothing. Same evasiveness and lack frankness apparent in Indo reaction to Lopez formula. If Sukarno now wishes determine

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<sup>3</sup> Dated April 22. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 3 MAPHILINDO)

Malaysian attitude to summit, he would lose nothing and gain respect by sounding out GOM openly, either through regularly established channel which both he and GOM have accepted, i.e., Thanat, or alternately through Macapagal.

3. Tunku, of course, is repeatedly on record that he will not attend summit while pistol pointed at head. Should not be unexpected if he now insists that guerrillas be out of Malaysia before agreeing to summit. Only way find out, however, is to make direct offer or inquiry.

4. Whatever Tunku's decision in matter, we would not consider urging him show greater flexibility on guerrilla question. As Sukarno aware, we have consistently maintained that continued presence guerrillas on Malaysian soil not only inexcusable on legal-moral grounds but entirely contrary Indo's own interests. So far these guerrillas have seriously tarnished Indo image before world; poisoned GOI friendship with US, Australia and other countries; cost Indo substantial foreign aid; helped Tunku win elections; and insured indefinite continuance British forces in area. Other side of ledger empty. As Sukarno should realize, Malaysia is stronger, not weaker, than before confrontation.

5. Assuming Sukarno will initiate new contacts with Malaysians, we hope he will be realistically aware of extent to which April 25 election has strengthened Tunku's position. No question that Indo confrontation was great help to Tunku. He ran on strong anti-Indo platform and Malaysian electorate overwhelmingly endorsed him. Any Indo attempt to assert that victory resulted from British intimidation certain to fall flat before world and damage Indo credibility, since election carried out in full view world press and foreign diplomatic community Kuala Lumpur. Rather than attempting challenge or downgrade results, which would make Indo laughing-stock, we hope Sukarno will be able see it as potential watershed in Indo-Malaysia relations and make real effort forget past excesses and come to terms with country which, whether he likes it or not, will be his neighbor indefinitely.

*For Manila:* Ambassador should see Macapagal, summarize substance Ambassador Jones' April 22 conversation with Sukarno (Jakarta's 2225) except numbered paragraphs one and five, and briefly outline foregoing five-point reply we intend make to Sukarno request for US initiative in convening early summit. Should note that completion Malaysian elections, coupled with recent relatively calm on Borneo border and Sukarno's desire for summit, suggests time approaching for new initiative to break Indo-Malaysian impasse. We know from Macapagal's comments during SEATO meeting that he has been giving matter good deal of thought, and we would appreciate his current views on situation.

*For Kuala Lumpur:* Whether there will be summit or other meetings depends largely on willingness of Tunku to participate. As stated para-

graph two above we have no clear picture of his post-election attitude and we therefore need your opinion this subject soonest. In talking to Tunku suggest at this stage you avoid specific suggestions but attempt convince him that he should regard his new political strength as giving him ability to negotiate on basis any reasonable suggestion which may be produced by Phils, Thais or others.

Rusk

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**46. Telephone Conversation Between President Johnson and the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, May 1, 1964, 12:01 p.m.

[Here follows discussion unrelated to Indonesia.]

President Johnson [reading a newspaper account]: "Sukarno says he'll issue orders for action Sunday to a million Indonesians who volunteered to aid his efforts to crush Malaysia."

McGeorge Bundy: You'll be glad to know he's not coming to the U.S. right now.

LBJ [paraphrasing the newspaper account]: "In a May Day speech to 12,000, the President said the volunteers had been instructed to mass outside his place to hear his orders. Said foreign countries which intervene in Asian affairs are blamed for the continual trouble in the Far East. Said foreign countries, especially the United States, oppose him, and cited as proof the fact that American magazine, *Whisper*, printed a picture of him with a nude woman to show how bad I [Sukarno] am."

Bundy: Laughter.

LBJ: Never heard of *Whisper*.

Bundy: Never heard of *Whisper*. Laughter. Well, I think it's better for us to have him sounding off at a safe distance and the only question is how gradually we disengage, I think. We've still got that problem of that determination, hanging over us on that business, and we're trying to get it so that it will go to bed.

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<sup>1</sup> Source: Johnson Library, Telephone Recordings and Transcripts, Recording of a conversation between the President and McGeorge Bundy, Tape F64.26, Side A, PNO 1. No classification marking. This transcript was prepared by the Office of the Historian specifically for this volume.

LBJ: Did we ever get a legal opinion on that?

Bundy: We have a legal opinion under which we're protected, but it's stretching a little thin. We've got another way of doing it, which is to get the NSC to advise you that we ought to go on where we are, and this, we think, would give you perfectly good political cover without engaging you in something you, yourself, would sign. I think we can do that, if you think that would be worth doing. You see, you're stuck between these two things now.

LBJ: Okay, all right, bye, do that!

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**47. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, May 9, 1964, 1540Z.

2323. During nearly two-hour meeting with Sukarno and Subandrio at Bogor Palace today, tour d'horizon of where we stood on Malaysia issue, U.S.-Indo relations, aid to Indonesia, anti-American campaign and internal economic situation brought forth following major points:

1. Cancellation of U.S. Aid and U.S.-Indo Relations. After we had discussed new Philippine initiative re Malaysia, reported below, Subandrio said he wished to direct attention to whole question of relations between our two countries which he felt were approaching a new all time low. He referred to Bundy's threat to withdraw U.S. aid unless Indonesia changed its policy on Malaysia,<sup>2</sup> said GOI would have to react strongly to this, suggested that perhaps in interest of both parties most satisfactory reaction would be for GOI to announce it would no

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US. Secret; Immediate; Limdis; Noform. Repeated to Kuala Lumpur, Manila, Singapore, Bangkok, CINCPAC for POLAD, and Canberra. Passed to the White House.

<sup>2</sup> William Bundy made this statement in a speech on May 5 to the Conference of the Advertising Council in Washington, and the speech was reported in *The New York Times*. Bundy stated that although the United States would like to help Indonesia economically, it was not able to do so. He continued, "We have been forced to cut back our aid programs very sharply and we may have to eliminate them entirely if Indonesia should continue a policy called confrontation against Malaysia—if it continues or is enlarged—to something that could only be characterized as aggression. That must be met." Bundy's full remarks relating to Indonesia are in telegram 1193 to Djakarta, May 5. (Ibid.) In a memorandum to William Bundy, May 8, Forrestal suggested that Bundy's remarks in the speech were not in the long-term interest of U.S. policy. (Johnson Library, National Security File, Files of Robert W. Komer, Indonesia, Nov. 63-Mar. 66 [3 of 3])

longer accept any American assistance. This would relieve U.S. as well as GOI of irritant. His govt was being embarrassed by repeated U.S. official public statements designed to bring pressure on Indonesia. I was fully aware, he noted, of how sensitive Indonesians were on subject of being told what to do. If aid programs could not survive unless GOI changed its policy, perhaps best thing would be to cut it off now; relations between our two countries might be more harmonious without present small aid program than with it.

(As Embtel 2322 reported,<sup>3</sup> I had been anticipating something of this sort and had tried to head it off by series of moves yesterday afternoon and last night. Moves did not go unnoticed; indeed Subandrio referred to Yani's inquiry.) I responded by saying that, as I had repeatedly made clear, I recognized that time might come when our aid program to Indonesia must come to a halt. However, I felt that now was not the time. I pointed out patience of USG in this matter in face of growing Congressional pressures and public opinion in U.S., and endeavored to convince them that Bundy statement was not to be interpreted as a threat but merely factual statement of situation which we faced. I said it would seem bad timing for either of us to cancel U.S. aid program on threshold of new Philippine initiative which might remove some of the difficulties we now faced. If we had any hope of summit meeting and peaceful settlement of Malaysian dispute, surely it was in Indo's interest to await outcome of these efforts. For our part, we were not contemplating any sudden step of this kind (I trust I was correct) because we sincerely desired peaceful settlement of dispute by Asian nations concerned and we had no intention of introducing new element which might add to current friction between us.

Sukarno and Subandrio both reverted to Bundy statement and asked me direct question as to whether it represented, as they had concluded, major change of direction in U.S. policy. Bundy was new appointee, this was his first public statement, it had more than ordinary significance. People were saying it represented a new and harder line against Indonesia on part of new administration in Washington. Subandrio added that some of his Embassy people in Washington had asked to come home because they could no longer talk to people in Washington.

I replied that there had been no change in U.S. policy. Bundy was making informal speech before Advertising Club of NY. At same time, it must be recognized that Bundy was stating facts of life. I pointed out I had said same thing time and time again. It turned out it was not so much substance of Bundy remarks to which Indos objected as fact that they were made publicly. They hoisted me on my own petard

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<sup>3</sup> Dated May 8. (National Archives and Records Administration, RG 59, Central Files 1964-66, AID (US) INDON)

by suggesting desirability of keeping comments of this sort in diplomatic channels. Subandrio referred to considerable improvement in Indo-Australian relations in past couple of weeks as result of fact that case was no longer being tried in newspapers. "This is a very difficult period for us," he said. "If we want to help U.S.-Indo relations on present level of friendship, it will help very much if your people will not make public threats against us."

I said I would relay this message to Washington but that there were two sides to this, and suggested anti-American campaign here might be tamped down. But in final analysis I thought best hope for improvement in relations lay in possibility of peaceful settlement of Malaysia dispute. So long as Indonesia appeared in role of aggressor, things would continue difficult. Many people in U.S. and elsewhere were convinced that Sukarno was engaged in a drive for territorial expansion and I suggested his actions had done little to dispel this suspicion. If peaceful settlement of Malaysia dispute were achieved as result of summit meeting, not only would Sukarno's image improve with this and accompanying withdrawal of his guerrillas but he would be able to concentrate on his increasingly serious economic problem with the possibility of renewed friendly assistance from outside world.

2. Economic Situation. Subandrio used above as springboard to charge that principal reason for GOI economic difficulties was failure of U.S. to fulfill its promises re balance of payments assistance. I took grim satisfaction in demolishing this accusation in Sukarno's presence for I am confident this was first time he had ever heard full story. Subandrio beat a hasty retreat after I had made clear way in which GOI had cut its own throat by trade blockade at critical moment in implementation of stabilization plan.

Sukarno then asked me what I meant by "increasingly serious economic problem." I outlined economic situation as we see it in simplest terms. He asked me if people were going hungry. I pointed out that so far as subsistence was concerned, situation was temporarily better with harvest of new rice crop. But I predicted that beginning October, Indonesia would face real economic and financial crisis unless steps were taken.

"Do you mean collapse" Sukarno asked. I told him I did not mean collapse because Indonesian economy was resilient and not that sophisticated—but I did mean real trouble. I outlined foreign exchange position of GOI, unsatisfactory exports, financial requirements for spare parts and raw materials, debt service and rice and demonstrated how GOI could not possibly make ends meet without outside assistance.

Subandrio said Indonesians had tightened their belts before and could do so again and he added that Pres Sukarno did not want to borrow money from outside. Sukarno looked black as a thundercloud



during this exchange. He may have been angry with me or possibly as result sudden realization his people had never painted so dark a picture and might have been misleading him.

3. Malaysia Dispute. I opened conversation after usual pleasantries by reviewing U.S. position with respect to this subject, pointed out we continued (a) to favor tripartite meeting ending in summit, (b) to consider peaceful settlement vital to interests of all concerned as well as free world, (c) to feel strongly that any settlement to be successful must be reached by Asian nations concerned. Consequently, we welcomed new Philippine initiative and hoped that it would achieve success. I urged Sukarno and Subandrio to make every effort to help bring this initiative to successful conclusion and emphasized importance of keeping discussion in diplomatic channels.

It appeared that Sukarno had not been briefed by Subandrio re Lopez visit because ForMin picked up ball at that point and explained to Sukarno what I was talking about. Sukarno seemed pleased by news but immediately turned to me and asked whether I thought the Tunku would cooperate. He had had no indication from anyone, certainly not from press, that Tunku would come to summit. Both Tunku and Razak continued to make anti-Sukarno statements. I said I thought that Tunku would come to summit, provided all parties gave appearance of being reasonable and approaching meeting in spirit of good will. Withdrawal of Sukarno's guerrillas was an important element in establishing latter.

Sukarno again repeated his position had not changed. It was up to Tunku. Both he and Subandrio said they looked forward to visit of Lopez as special emissary from Macapagal.

4. ANZUS Treaty. Sukarno asked whether Bundy statement meant that U.S. was now defending Malaysia. I said if he meant by this militarily defending Malaysia, the answer of course was negative, although, I cautioned, escalation of the conflict could result in ANZUS Treaty being invoked. If he meant politically supporting Malaysia, he was aware that we recognized Malaysia and that we had welcomed its formation. But if he meant were we openly taking sides in Malaysia dispute, answer again was negative. Robert Kennedy had made amply clear that we considered solution of Malaysian dispute to be an Asian problem, that we were keeping hands off in the sense of attempting to dictate a formula, although we would do everything possible to help bring disputants to conference table. We were prepared to accept any solution upon which all parties to dispute agreed.

5. U.S. Press and Anti-American Campaign. Sukarno complained again about treatment by American press, said Soviet and Chinese press never did this to him, asked if there was not something Dean Rusk could do to tone down anti-Sukarno articles. I reminded him we have free press. I noted Chinese and Soviet press 100 percent controlled.

He cited example of Adenauer who had called in certain editors and asked them not to vilify Sukarno, that they were hurting relations with Indonesia. I said I would pass on his comments but best remedy would be settlement of Malaysia dispute. I noted that I felt I had more right to complain to him of treatment in Indonesia where press was controlled, yet anti-American, anti-Jones articles were being published daily. I was not convinced these did not represent government policy or tactics. For example, I said, I was certain that resolutions by numerous organizations declaring me persona non grata would not have been passed and publicized without the specific blessing of the Foreign Minister. So long as these statements solely represented PKI opinion, I considered them compliment. But if they had the blessing of the govt, this was another matter. Subandrio was somewhat taken aback. Sukarno responded saying the day would never come when such actions would represent the opinion of the government.

*Comment:* Conversation, as foregoing report indicates, was full and frank, with occasional heated exchanges. I think net result was probably constructive.

As for Indo cancellation of U.S. aid, I believe we have headed that off for time being. I recommend that, so far as possible, we not exacerbate situation by further public statements on subject of aid withdrawal. Indos clearly recognize loss of aid as inevitable unless peaceful settlement of Malaysia dispute is achieved but it would be far preferable to let aid die natural death than to provoke Indos into pulling a Prince Sihanouk. PKI of course is calling for this action and I urge that we not play into their hands.

**Jones**

**48. Memorandum From the Executive Secretary of the Department of State (Read) to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, May 12, 1964.

SUBJECT

Paper for NSC Discussion of Indonesia

Enclosed is a paper on Indonesia and the Indonesia–Malaysia dispute for consideration at the National Security Council meeting originally scheduled for May 12 and now scheduled for 12:30 p.m. Friday, May 15.<sup>2</sup> Should circumstances warrant, a brief supplemental paper covering last-minute developments will be submitted later. This paper makes the following salient points:

Indonesian *guerrilla activity* in Malaysian Borneo is continuing, although there has been a marked lull in recent weeks. Sukarno may be planning a substantial step-up shortly, however, to force the Tunku into an early summit meeting on Sukarno's terms. Sukarno's real intentions are not clear, but there is a possibility he actually wants a peaceful settlement. Both the Army and the PKI would probably oppose a settlement but it is unlikely that either could block it if Sukarno accepts it. Sukarno's terms for settlement have not been spelled out but probably include, as a minimum, some sort of pro-forma reascertainment of popular opinion toward Malaysia in Sabah and Sarawak which he could claim as a victory for internal consumption.

Internally *Indonesia is in major difficulty*. The economy is in bad shape and continues to deteriorate. A regional revolt in Sulawesi is causing additional strain. Neither, however, is likely to shake Sukarno's hold on the country.

We have been exerting diplomatic and (through aid) economic pressure on Sukarno to abandon confrontation and work out a peaceful settlement. The most promising current initiative has been taken by Macapagal, who has contacted Sukarno and the Tunku to urge an early summit meeting of the three.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. II, Cables and Memos, 6/64–8/64, [2 of 2]. Secret. No drafting information appears on the memorandum, but a covering memorandum to another copy indicates that the paper had "internal State and AID clearances" and Harriman and Bell approved its transmittal to the White House. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA)

<sup>2</sup> Discussion of Indonesia at the NSC meeting of May 15 was canceled; see *Foreign Relations, 1964–1968*, vol. I, Document 156.

*No change is recommended in U.S. aid policy. We should continue to refrain from a formal Presidential Determination, at least until early June.*

**Benjamin H. Read**

## **Attachment**

Washington, May 9, 1964.

### **PAPER FOR CONSIDERATION AT THE NATIONAL SECURITY COUNCIL MEETING, MAY 12, 1964**

#### **SUBJECT**

Indonesia and the Indonesia-Malaysia Dispute

#### *Situation*

Indonesia is currently pursuing a two-sided policy in its dispute with Malaysia. On the one hand it is continuing its military, political and economic confrontation against Malaysia with the proclaimed objective of "crushing" the state. On the other hand Sukarno is asserting both publicly and privately his desire to settle the dispute peacefully.

Armed *Indonesian-led guerrilla units* are continuing their depredations in Malaysian Borneo, and *Indonesian terrorists* are continuing to operate in mainland Malaysia and Singapore. Estimates about a month ago showed some 4-600 Indonesian guerrillas in Malaysian Borneo and an indeterminate number of terrorists on the mainland. On both fronts, however, there has been *a marked lull over the past few weeks*. Reasons for the lull are unclear. It could have been brought about by the increased effectiveness of British-Malaysian countermeasures, by voluntary withdrawals for regrouping preparatory to further assaults, by a change in Indonesian tactics from hit-and-run moves to the establishment of permanent guerrilla pockets in remote areas, by a combination of the foregoing, or, conceivably, by an unadmitted change in Indonesian policy.

In the political field, Sukarno has been pushing for an *early summit meeting* with the Tunku and Macapagal without "preconditions" (i.e., the withdrawal of Indonesian guerrillas from Malaysian soil, which the Tunku has publicly insisted on before sitting down with Sukarno). He has, however, expressed his willingness to begin voluntary withdrawals simultaneously with the convening of a summit meeting or pre-summit ministerial meeting, obviously intending to control the pace of withdrawals as a bargaining counter.

There have been some recent indications that Sukarno, despite the serious risks involved, may be preparing for a *substantial step-up in covert military activities in the near future* as a means of frightening the Tunku into agreeing to an early and unconditional summit.

#### *Indonesian Intentions*

The sincerity of Sukarno's alleged desire for a peaceful settlement can be doubted but has not yet been fully tested. Conceivably his professed willingness to negotiate is no more than a blind behind which he is pursuing a calculated plan to dismember Malaysia and pick up the pieces. The British incline toward this estimate. We think it more likely, however, that—as far as Sukarno himself is concerned—his main goal is less that of bringing about Malaysia's downfall than that of avenging the fancied humiliation he suffered when Malaysia was formed and scoring what he can claim as a major diplomatic victory before the world.

The objectives of Foreign Minister *Subandrio* and Sukarno's *other civilian advisers* seem to consist of little more than getting Sukarno what he wants.

*The Indonesian Army*, however, appears to be genuinely obsessed with the long-range Chinese threat it professes to see in Malaysia and to be committed to a long, hard campaign to avert that threat by bringing Malaysia under Indonesian hegemony. It is doubtful that the Army would stand against Sukarno if he accepted a peaceful settlement, but it would probably accept the settlement reluctantly and might even continue, independent of Sukarno, a low-level campaign of subversion against Malaysia.

For entirely different reasons—basically a desire to bring about a complete break with the West—the *PKI* is totally committed to an anti-Malaysia policy, and will use all the influence it can muster to block a peaceful settlement.

#### *Possible Settlement Terms*

Assuming Sukarno honestly does want a settlement, the shape of a settlement acceptable to him is not clear—perhaps even to Sukarno himself. He is on record as (a) wanting separate “independence” for Sabah and Sarawak and for Singapore as well, (b) being willing to accept Malaysia as now constituted if the people of Sabah and Sarawak really want it, and (c) demanding the reascertainment in Sabah and Sarawak of popular opinion toward Malaysia to replace what he claims to have been the faulty UN ascertainment of September 1963.

Privately Foreign Minister *Subandrio* has indicated that Sukarno is willing to recognize Malaysia as a fact if he can be given a “pill sweetener” to erase the humiliation and permit him a victory for internal consumption. *Subandrio* has not, however, spelled out what an

acceptable pill-sweetener would be—presumably it would have to be a device offering at least the form of, or substituting for, a reascertainment in Malaysian Borneo.

It is entirely possible that a summit meeting would not produce a firm agreement in concrete terms but would, at best, leave numerous ends dangling. In this event, the test would continue to be the actions taken by the parties, i.e., a reduction in guerrilla activity by the Indonesians and some form of ascertainment in Borneo on the part of the Malaysians.

#### *Internal Developments in Indonesia*

Internally the Sukarno regime is in major difficulty on a number of fronts, although its manifold problems have not yet reached the stage of seriously threatening its hold on the country.

*The economy continues to deteriorate.* Industrial output is declining in the face of severe shortages of imported parts and raw materials. Export earnings, hit by the confrontation against Malaysia, are insufficient to finance an adequate flow of imports, and the regime can no longer rely on foreign aid to fill the gap. Servicing of the huge foreign debt load may consume 40 percent or more of anticipated earnings, and defaulting on payments reportedly is already beginning.

Unable to feed itself or to finance adequate food imports, the country has suffered from *severe food shortages* in various areas over the past few months, which, although temporarily relieved by the April–May rice harvest, are expected to recur on a larger scale next fall. The regime has done little to counteract this rapid deterioration beyond exhorting the populace and introducing a few ineffective monetary measures.

Although Sukarno is notoriously indifferent to economics, there is no doubt that even he is dimly aware of the country's plight, and may be worried at its political implications. Other members of the hierarchy are clearly disturbed by it. At the same time, there are no signs that popular discontent over declining living standards has reached, or will soon reach, such proportions as to constitute a real danger to the regime.

*In the security field,* the regime is plagued by a fairly widespread regional revolt in Southwest Sulawesi and by a few scattered indications of unrest elsewhere (such as a recent series of army desertions in Sumatra). There is no evidence, however, that internal dissidence is likely to spread significantly as long as Sukarno keeps both the Army and the PKI tied to his regime.

In the context of its anti-Malaysia policy, the Sukarno government has permitted and apparently sometimes abetted a fairly intense propaganda campaign against the United States by the PKI, left-wing national-

ists and the controlled press. A form of creeping nationalization is slowly squeezing British investment out of the country (with the major exception of Shell), and an increasing volume of threats are being leveled at American enterprises. On the other hand, despite signs of approaching trouble over certain financial provisions in the 1963 contracts, the foreign oil companies are currently enjoying generally satisfactory treatment by the government.

#### *United States Position*

We have made entirely clear to the Indonesians *our lack of sympathy* with their anti-Malaysia policy and *our opposition to their use of force* in pursuing that policy. The appreciable but limited leverage we have in Indonesia has been brought to bear on the Sukarno government in a continuing attempt to induce an abandonment of confrontation and the negotiation of a peaceful settlement. We have not tried to suggest the form such a settlement should take (although we have indirectly floated a few proposals) but have stressed to all parties that the formula for settling this Asian dispute must come from the Asians themselves.

Our pressure on the Indonesians has been exerted directly, both in the form of Ambassador Jones' continuing dialogue with Sukarno and Subandrio and through such wider efforts as the Attorney General's mission, Presidential messages, etc. It has been exerted indirectly by the progressive *scaling down of our economic and military aid*, which has contributed to the economic strain felt by the regime and has served graphically to demonstrate the growing estrangement that Indonesia's policies are forcing on us.

*The success of our tactics has been mixed.* We have not succeeded in ending confrontation, and we have brought about a heightening of the regime's anti-American orientation. Growing isolation from the United States has probably contributed somewhat to closer Indonesian ties with Communist China, although—significantly—not with the Soviet Union. On the other hand, our efforts have probably been the main contributing factor in bringing about such negotiations as have taken place and in keeping the door open for further negotiation. In addition, our efforts have probably been an important element in restraining the Indonesians from even more rash tactics.

#### *Current United States Activities*

Ambassador Jones is continuing to press our views on Sukarno at every opportunity. His current efforts are directed particularly at inducing the Indonesians (a) to enter into communications with the Malaysians through Thai diplomatic channels rather than relying on provocative public speeches to convey offers of resumed negotiations, and (b) to spell out for the other principals what they mean by "pill-

sweeteners" rather than reiterating vague demands for reascertainment.

We are also *encouraging Macapagal* in his current effort to get negotiations restarted and have instructed Ambassador Martin to hold a thoroughgoing *exchange with Thai Foreign Minister Thanat*, with the idea of getting him ready to resume an active mediatory role if Macapagal's efforts succeed. As an alternative should these moves fail, we have asked our UN mission to sound out U Thanat on the possibility of his taking a more active part in the dispute if necessary.

*Chaerul Saleh*, Third Deputy Prime Minister and one of Sukarno's more influential advisers, is scheduled to visit Washington briefly during the period May 18-20. This will give us a further opportunity to present our views, and we intend to do so forcefully.

*In the aid field*, we have been bringing home to Nasution and the Army the fact that Indonesia's confrontation policy unavoidably affects our relations with the military as well as the civilian government, and disabusing them of the hope that close Indonesian Army ties with the Pentagon can be retained despite the cooling of other government-to-government relations. Continuing limited military, economic and technical aid is being kept under constant review to maintain psychological pressure on the regime and to insure that it adds nothing to Indonesia's confrontation capabilities.

In connection with our aid strategy, the question arises of the Presidential Determination called for by Section 620(j) of the Foreign Assistance Act. We are continuing to operate in Indonesia under a Presidential decision that the Determination be withheld pending the outcome of negotiations which would give us a clearer picture of Indonesia's intentions. Our programs are being carried on under a decision by the Attorney General that the President has a reasonable length of time in which to analyze the situation and frame his conclusions.

It may, however, be difficult to maintain this position to the end of the fiscal year, and we may well have to bring this matter to the President by early June.

### *Third Country Activities*

*The Philippines:* Until the past few months the Philippine role in the dispute was not a helpful one. Inhibited by their own claim in Sabah, wary of offending their huge Indonesian neighbor and anxious to display a more "Asian" image, the Philippines were less of an independent third party to the dispute than a less-virulent junior partner of the Indonesians. This position has changed substantially since last February, however, as Macapagal has become increasingly disenchanted with Indonesia's rashness and intransigence. Macapagal has begun a rapprochement with Malaysia by moving to re-establish con-



sular relations on May 18, and has told us that he will make one last all-out effort to bring about a peaceful settlement—failing which, he presumably will be prepared to part company with Sukarno.

Macapagal has already started this effort by sending messages to Sukarno and the Tunku proposing an early summit to be accompanied by guerrilla withdrawals. He intends to follow this up by sending former Foreign Secretary Lopez to both capitals during the week of May 10. The substance of Macapagal's proposals has not yet been fully spelled out, but among the measures he reportedly is considering is that of mediation by outside Asian powers.

The Tunku has already responded favorably to Macapagal's initiative. In a May 9 letter to President Johnson thanking him for a congratulatory message on the outcome of the recent elections, the Tunku stated that he agreed with Macapagal's terms for reopening talks but "with a slight change, i.e., as affecting the withdrawal of guerrillas".

*Thailand:* Thanat, despite a basic sympathy for Malaysia and impatience with Indonesia, played a most effective role as mediator during the two Bangkok ministerial meetings earlier this year and seems to have gained the confidence of all three parties. Although inactive during the prolonged impasse that has followed the second Bangkok meeting, he has continued to serve as a channel of communication between the disputants (particularly in the re-establishing of Malaysian-Philippine consular relations) and has expressed to us his willingness to take part in further negotiations.

*The U.K.:* The British have been Sukarno's main propaganda target since early in the dispute and have, of course, borne the brunt of the guerrilla fighting. Although not willing to foreclose entirely the possibility of a negotiated settlement, they have been particularly skeptical of Sukarno's intentions and have advocated a generally stiff line with him.

The British have frequently used their influence with the Tunku to urge moderation in his public statements, with mixed results. They have, however, been sensitive to any hint that they use their increasingly limited leverage in Kuala Lumpur to press for substantive Malaysian concessions in the interest of a settlement. In general, the British position has been a rather rigid one. While understandable under the circumstances, this position at times has unquestionably exacerbated the situation.

Butler's visit to Manila at the beginning of May, however, seems to have been accompanied by a noticeable shift toward greater flexibility, at least in Britain's public position. Butler endorsed the concept of an "Asian solution", actively encouraged Macapagal's initiative, and even indicated publicly—as far as we are aware, for the first time—that the U.K. has no objection to Maphilindo. On the other hand, shortly

before the visit the British government authorized several new retaliatory measures against the guerrillas in Borneo, including limited hot pursuit into Indonesia. We are informed that these will begin after May 15.

*The United Nations:* There remains the question of a possible UN role in the dispute. Although the Secretary General's formal involvement ended with his report of the UN ascertainment in September 1963, he has continued periodically to express his interest in developments and has recently indicated his willingness to provide good offices. Apart from the Secretary General, there has been a rather unclear series of exchanges between the British and the Malaysians over the possibility of bringing the matter to the Security Council. The British have told us that they believe an approach to the UN should, for the present, be limited to the submission of Malaysia's case by letter to the Security Council President for information and distribution to members. There are, however, some indications that the British may have gone beyond this at one time by suggesting that the Malaysians seek Security Council action. Our latest information is that both sides are now agreed on an informational letter to the Security Council President and that the text is now being drafted.

We have engaged in informal contingency discussions in New York with the British, Australians and New Zealanders over a possible approach to the Security Council should the situation require it. The consensus has been, however, that the time for resort to the Security Council has not yet arrived.

### *Conclusion*

At the moment, prospects for a summit meeting within the next month or less, perhaps preceded by lower-level talks, seem fairly bright. It is still an open question whether a summit can produce a formula for settlement acceptable to both sides, and indeed whether Sukarno really wants a settlement. Proposals which might lead to a settlement, however, are beginning to emerge (i.e., Afro-Asian mediation). In addition, the very act of attending a summit meeting has on past occasions instilled in the principals a greater flexibility than they normally display.

The dispute unquestionably remains a most serious one, and chances for a peaceful resolution are still very much in doubt. There does appear to be some promise in the situation, however. As long as it persists, our interests would seem to require that we continue our efforts to encourage current moves to convene a summit meeting.

**49. Note From the Assistant Secretary of State for Far Eastern Affairs (Bundy) to Secretary of State Rusk<sup>1</sup>**

Washington, May 15, 1964.

*For your luncheon with the President<sup>2</sup> I have the following points:*

*1. Indonesia/Malaysia.*

a. Lopez hits Kuala Lumpur Saturday (tonight) and this is obviously virtually a make-or-break stage on the summit. Jones is urging a Presidential or Secretary statement of encouragement tomorrow (Lopez sees the Tunku Sunday afternoon). We clearly oppose a Presidential statement at this point, but it would be highly useful if you yourself were going to be holding a press conference today or tomorrow. Failing that, we would put a rather full statement out through the Department spokesman.<sup>3</sup>

b. We have in the White House a request for a Presidential invitation for the Tunku to come on an official visit in July after the Commonwealth Prime Ministers. If the President could agree to this (even without necessarily specifying dates) it would give Bell a superb handle to talk further to the Malaysians tomorrow—which he should do in any event—and would give a most useful fillip to the Malaysian state of mind at this point. I urge strongly that you try to clear this with the President at or around the luncheon.<sup>4</sup> I attach the paper as it went over.<sup>5</sup>

c. The Malaysians are definitely delaying their letter to the President of the SC until after the Lopez visit. I think they should be persuaded to hold off on it until we see finally whether or not the summit can be put together. We cabled you on this in The Hague, and it would be helpful to know whether you had a chance to talk with Butler. We

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Secret. Attached, but not printed, was a draft memorandum to the President recommending that he invite Tunku to visit the United States, July 8–15. There is an indication on the note that Rusk saw it.

<sup>2</sup> The President met for lunch with McNamara, Rusk, Senator William Fulbright, and McGeorge Bundy at 1:20 p.m. (Johnson Library, President's Daily Diary) There is no indication in the President's Diary when the meeting ended, but Rusk's next appointment at the Department of State was at 2:38 p.m. (Ibid., Rusk Appointment Book) No other record of this meeting has been found.

<sup>3</sup> Rusk did not hold a press conference on May 15 or 16 and no statement by the spokesman has been found.

<sup>4</sup> A note in the margin apparently in Bundy's hand reads: "Macapagal has scrubbed, so there is a hole he can move into."

<sup>5</sup> Attached, but not printed.

would like to make the point to the British today and need to know the state of the bidding.

[Here follow 2 paragraphs on Vietnam.]

WPB

## 50. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>

Washington, June 2, 1964, 8:21 p.m.

1284. Embtel 2491.<sup>2</sup> As you know, US does not intend play any role in Tokyo meetings which hopefully will take place later this month, and does not wish create impression in anyone's mind that we are doing so. At same time, we regard these meetings as only foreseeable chance of real progress toward settling Indo-Malaysia dispute, and willing consider any related actions which might help create right atmosphere.

We are aware that visit to US is something Sukarno wants, that he has been aware adverse US public attitude toward GOI and that net result may be to make him more reasonable in Tokyo in hope successful US visit. We also aware Sukarno's capacity for backsliding after returning home in face PKI and other Indo domestic pressures, and for this reason we are reluctant to recommend to President that he give Sukarno written invitation to visit Washington.

Problem, therefore, is to help move Sukarno toward constructive attitude in Tokyo by holding out carrot of US visit without committing President to receive him as honored guest regardless of outcome of summit meetings. While situation might change if summit dramatically successful, suggest that for present you discuss with Sukarno along following lines:

As Sukarno knows, President regards resolution of dangerous problems in area by negotiation between Asian principals as essential,

<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret; Immediate; Limdis. Drafted by Cuthell, cleared by Green and Komer, and approved by Harriman.

<sup>2</sup> In telegram 2491 from Djakarta, June 2, Jones suggested that "as an additional inducement for Sukarno to be reasonable at summit," the President should send him a message expressing hope for a peaceful settlement of the dispute with Malaysia and suggesting a date for a Sukarno visit to Washington. (Ibid.)

and hopes that summit meetings will make tangible progress. President also understands that Sukarno wishes make visit to World's Fair this year, and that he may come to US for this purpose after Tokyo. If he does so, US public reaction to events of past year will undoubtedly cause his public reception to be less friendly than on former visits. But if Sukarno does come, President would receive him in Washington for informal meeting before or after New York visit for discussion US-Indo relations and other problems of common interest. Temper of visit would of course depend on situation at the time. FYI. You should make clear that whole question of Washington phase of visit and to some extent nature of his reception will depend on outcome of talks in Tokyo.

We would anticipate that Washington visit would be handled as outlined paragraph two Deptel 1163.<sup>3</sup> We will suggest timing later. End FYI.

**Ball**

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<sup>3</sup> In the second paragraph of telegram 1163 to Djakarta, April 25, the Department suggested that Sukarno's visit would have to be "short, informal, and quiet" and on a time available basis. The Department envisioned a stay of no more than 1½ or 1 day with a working lunch. Although the Department might be willing to consider a brief communiqué at the conclusion of the visit, it could not imply U.S. patience with Sukarno's anti-Malaysia policies. (Ibid., POL 7 INDON)

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## **51. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, June 24, 1964, 9:16 p.m.

1366.

### *A. Assessment of Tokyo Maphilindo Summit:*

1. In retrospect, Dept sees Tokyo summit as having produced very mixed result. Parties made no progress in halting military confrontation (immediate result, in fact, may be to intensify it dangerously) or otherwise bridging gap between Indo and Malaysian positions. Tokyo

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 3 MAPHILINDO. Confidential; Priority. Drafted by Ingraham, cleared by Cuthell, Green, and Thomas M. Judd, Officer in Charge of United Kingdom Affairs, and cleared by Bundy. Also sent to Manila, Kuala Lumpur, London, and Canberra, and repeated to Tokyo, Bangkok, CINCPAC for POLAD, and USUN.

atmosphere also failed produce hoped-for diminution of mutual distrust and antipathy between Indo and Malaysian leadership. Instead, it sharpened them.

2. On other hand, summit did result in several potentially significant gains. While parties scarcely touched on thorny problem of political settlement—particularly Indo demand for Borneo reascertainment—they did reach agreement in principle on machinery to bring about political settlement (Afro-Asian conciliation commission) and on steps to set up machinery, i.e., further contacts between FonMins followed by another summit. This achievement admittedly a tenuous one, however, since Malaysians accepted commission proposal reluctantly and with little real faith in it.

3. Further achievement was clear emergence Macapagal and Lopez as genuinely impartial third party in eyes Indos and Malaysians. Both delegations indicated publicly and privately their faith in Phil bona fides. This achievement, however, somewhat clouded by Phil exasperation at Malaysians for their rigid position at summit and their “evasive” handling Phil Sabah claim in concurrent bilateral talks (Tokyo’s 3867).<sup>2</sup>

#### *B. Reasons for Impasse:*

1. Controversy over relationship of guerrilla withdrawals to political settlement was crux of difficulty. Malaysian attitude throughout was one of injured righteousness which, although justified, tended to foreclose chances real progress. Understandably they concentrated almost exclusively on short-term goal of getting Indo forces off their soil and halting other forms confrontation. They refused recognize any direct connection between this objective and political settlement sought by Indos, seeing latter as Indo-contrived artificial issue to be disposed of after confrontation terminated. They could recognize hypothetical Sukarno need for face-saving device if he honestly wanted end confrontation, but they rejected basic premise that he wanted do so. In their view, what Sukarno wanted at most was brief pause to enable him prepare for renewed onslaught. This deep mistrust Indo motives led them to insist that elaborate minuet of verified withdrawal through designated checkpoints be carried to conclusion even after it had become clear that pressure of time was making it no more than farce; it prevented them from making any effort exploit Sukarno personality traits to their advantage as suggested in Djakarta’s 2506;<sup>3</sup> and, in final analysis, it kept them from making real test Sukarno intentions by

<sup>2</sup> Dated June 20. (Ibid.)

<sup>3</sup> Dated June 4. (Ibid.)

failing offer him course of action which, in context his own prestige and his internal situation, he could reasonably be expected accept.

2. Contributing to impasse reached during final June 20 summit session was fact that Malaysian position throughout preceding week had been anything but clear and had left others unprepared for final rigidity. For example, during prolonged wrangle over checkpoints Malaysians made at least one concession—agreeing to first FonMin meeting before beginning of withdrawal—which suggested greater flexibility on Malaysian side than ultimately demonstrated. In this context, both US and UK observers noted signs of tension within Malaysian delegation, with Ghazali and other hard-liners ranged against others who seemed to favor more flexible position.

3. Indos contributed their bit to final impasse by poisoning already tense atmosphere with arrogant and meretricious press release June 14 (Tokyo's 3732),<sup>4</sup> which hit Malaysians hard and sparked sporadic crossfire of public statements during rest of meeting. Aside from this, however, Indos handled selves fairly well and managed convey general impression they were genuinely seeking way out. (Malaysian EmbOff, however, told Dept that June 19 attack in Sarawak by guerrillas crossing from Indo had completely destroyed Malaysian hopes that Indos were sincere in their presummit undertakings.)

4. As emphasized by Lopez (Tokyo's 3867), final and probably conclusive reason for impasse was that time ran out before real effort could be made to bridge gap between positions taken by Indos and Malaysians at June 20 afternoon session. Lopez expressed personal belief that, had he and Macapagal been given day or two to work on both sides, they could have hammered out acceptable compromise linking withdrawals to commission proposal. Alternately, had Malaysians made clear to Macapagal earlier in week that they intended demand end to confrontation before activation commission, Macapagal might have been able work out something. (Fact that they did not do so reinforces our suspicion that Malaysians did not actually decide on their position until last minute.)

### *C. Future Prospects:*

1. Most immediate hazard is that Indos will respond to summit failure by promptly stepping up border warfare in Borneo and terrorism on mainland, reasoning that lull in hostilities in month preceding summit had made Malaysians overconfident and that what they now need is period of softening up before next round negotiations. (Press reports of major clash in Borneo this week suggests this has already begun.) British and Malaysians may respond with cross-border operations.

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<sup>4</sup> The press release is summarized in telegram 3732 from Tokyo, June 14. (Ibid.)

Quite apart from obvious danger of escalation hostilities, Indo step up in military confrontation likely be taken by Malaysians as confirming their belief Indos have no intention seeking real settlement, thereby further dimming chances for negotiated settlement.

2. Since Malaysians have long had their eyes on UN and their initial position at Tokyo was to take issue to Security Council, there will undoubtedly be strong move in Kuala Lumpur to go to SC now, either in response increased Indo military activity or as result summit failure itself.

3. If above two obstacles to further negotiations can be surmounted—and chances not too promising—prospects for peaceful settlement might improve substantially now that device for settlement has been surfaced in Macapagal's commission proposal. While commission at first glance may seem little more than gimmick, it could prove good deal more in practice. Phils do not appear to see commission as quasi-judicial body, taking evidence and retiring from scene to draw up recommendations in isolation. Instead, it would operate as genuine conciliatory body, working out its recommendations through process of consultation and negotiations with both parties. It could, in effect, operate in same manner as did Lopez in hammering out May 27 summit agreement but with much greater authority. Commission could also play highly useful role in inducing both sides to exercise restraint while it seized with issue and could serve as channel of appeal by either side against mistreatment by other during this period. Moreover, commission would seem precisely that sort of device which Sukarno likely find most palatable as pill-sweetener, in that he could (a) make great point of bowing to its will as munificent contribution to Afro-Asian unity and (b) avoid giving any appearance giving in directly to "neo-colonialist" Malaysians.

Would appreciate post comments foregoing analysis.<sup>5</sup>

**Rusk**

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<sup>5</sup> In telegram 21 from Djakarta, July 2, the Embassy suggested that Indonesian policy was aimed at a negotiated settlement as close as possible to its terms and without a withdrawal of its guerrillas. (Ibid.) In telegram 1317 from Kuala Lumpur, June 27, the Embassy suggested that Malaysia had accepted the commission proposal reluctantly and would only implement it if Indonesian military confrontation ceased. The Embassy did not accept that Malaysia was responsible for the impasse at the summit and suggested that Malaysia viewed withdrawal of Indonesia forces seriously. (Ibid.) In telegram 28 from Manila, July 4, the Embassy suggested that although it agreed with the assessment of what happened and why, the estimate of future prospects was wrong in certain respects. The Embassy suggested continued efforts at urging moderation, caution towards more summit or ministerial meetings, not becoming too closely identified with the Afro-Asian Commission, resolving the Philippine claim to Sabah with Malaysia first, and encouraging Malaysia to deal with the Borneo guerrillas on their own rather than relying completely on the British. (Ibid.)



**52. Memorandum From Secretary of State Rusk to President Johnson<sup>1</sup>**

Washington, June 29, 1964.

**SUBJECT**

Status Report on Relations with Indonesia

*Recommendation:*

I recommend, with the concurrence of Secretary McNamara and AID Administrator Bell, that you approve continuation of carefully selected economic and military assistance to Indonesia, of the types now being provided, as originally approved in NSAM 278 of February 3, 1964.<sup>2</sup>

*Discussion:*

1. The "Summit Meeting" of President Sukarno of Indonesia, Prime Minister Rahman of Malaysia, and President Macapagal of the Philippines took place in Tokyo recently. I believe the results represent limited progress and there is still a basis for further negotiation. The three heads of state agreed on a communiqué<sup>3</sup> accepting in principle the designation of an "Afro-Asian Conciliation Commission" to assist the parties in resolving their differences. They also agreed to instruct their Foreign Ministers to continue to study the proposal for a conciliation commission with a view to a further meeting of the heads of Government.

Personal relations between Sukarno and the Tunku were poor at the conference and both returned home issuing angry statements. We are apprehensive that the guerrilla activity in Borneo may now increase again. Our efforts and those of President Macapagal continue to be directed to attempts to restrain violent speech and action. Our effort will be to keep the attention of Sukarno and the Tunku focused on the fact that there is an agreement which must be carried out, starting with a meeting of the Foreign Ministers.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. IX. Secret. The Department of State copy of this memorandum indicates it was drafted by Cuthell with clearances from Bell and Poats (AID), William Bundy, Harriman, Solbert (DOD/ISA), McNamara, and Arthur Wexler (H). (National Archives and Records Administration, RG 59, Central Files 1964–66, AID (US) INDON)

<sup>2</sup> Document 29. There is no indication of the President's approval, but see Document 53.

<sup>3</sup> The text of the communiqué is printed in *American Foreign Policy: Current Documents*, 1964, pp. 898–899.

2. As you know, our limited programs of economic and MAP assistance with Indonesia have continued, in accordance with your decision recorded in NSAM 278 of February 3, 1964, pending the outcome of the "Summit Meeting." In my judgment, concurred in by the Secretary of Defense and the Administrator of AID, it is essential to the national interest to continue carefully selected economic and military assistance to Indonesia of the types now being provided. We should not, however, make a formal public announcement of continued assistance for this might give unwarranted encouragement to President Sukarno. If you approve the above recommendation, we will routinely and confidentially notify the Congress of the current status of assistance to Indonesia, as required by Section 620 (j), without reference to a renewed Presidential decision.

**Dean Rusk**

## **Enclosure**

### **Paper Prepared by the Bureau of Far Eastern Affairs**

Washington, June 22, 1964.

#### **STATEMENT OF REASONS FOR CONTINUATION OF LIMITED ASSISTANCE TO INDONESIA**

Indonesia, in terms of size, natural resources and strategic location, is a key country of Asia. In the midst of a convulsive transition from the colonial past, it has become a major target of the Communist powers and is itself a source of tension in Southeast Asia. For the past nine months it has been pursuing a policy of political, economic and military "confrontation" against Malaysia.

Our Indonesia policy requirements are two-fold: (1) to halt Indonesia's "confrontation" against Malaysia and restore equilibrium to the area and (2) to influence the course of Indonesia's long-range development in a direction consistent with our security needs.

Our aid programs have been an essential tool in this dual task. Over the years, they have helped us keep open the communications between our two Governments and build up a limited but real leverage with the Sukarno regime, which we are using to prevent a dangerous drift away from the West. Although "confrontation" has not yet been abandoned, our influence has probably helped prevent greater deterio-

ration and encouraged the Indonesian Government to join with Malaysia and the Philippines in seeking a peaceful settlement of their differences.

Those forms of assistance which could help Indonesia maintain “confrontation” against Malaysia have been eliminated, and we do not intend to resume them so long as “confrontation” continues.

The present AID program is limited to technical assistance, including civil leadership training and advisory services, malaria eradication assistance, and police training and equipment. (Arms and ammunition have been and are being withheld.) The present Military Assistance Program is limited to training in those categories which do not contribute to Indonesia’s immediate offensive capability. The training is almost entirely confined to operations, logistics and administrative fields. However, no training is being provided in such fields as ranger, pathfinder, airborne, counter-insurgency, parachute packing, in-flight refueling, and landing force staff planning.

The reduced FY 1964 AID program totals approximately \$10 million and the revised FY 1964 MAP is \$1.9 million. All the FY 1964 MAP funds are for training; 90% of the FY 1964 AID funds are for training and malaria eradication. Similar programs at approximately the same level are planned for FY 1965. (See Tab B for details.)<sup>4</sup>

We are currently training 490 civilian technicians, administrators and managers, and 170 military personnel (including 50 officers under the civic action program) who will play an important part in Indonesia’s future leadership. In addition, U.S. university faculty teams in Indonesian institutions are reaching thousands of additional key Indonesians. Our training programs give us a unique opportunity to shape the thinking of Indonesia’s future civilian police and military leaders. Continuation of the malaria eradication program, benefiting approximately 70,000,000 people of the central islands, is protecting an existing investment of some \$36 million and would demonstrate our continuing concern for the Indonesian people. If we stopped now, malaria—now virtually eradicated in Java and Bali—would almost inevitably recur. The program of assisting the national police has given us valuable influence in this key organization (the country’s first line of defense against internal subversion) and has greatly enhanced its effectiveness.

Continuation of these limited programs is essential to achievement of our policy objectives in Indonesia and to the national interest of the

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<sup>4</sup> Attached but not printed was a detailed description entitled “Current Assistance Programs in Indonesia,” which had four tabs attached. Tab A was the proposed MAP and AID FY 1964 Program obligation, Tab B was reductions in FY 1964 MAP and AID program, Tab C was a pipeline trend of estimated unexpended balances of all obligations, and Tab D was an outline of the Food for Peace program in Indonesia.

United States. Termination of the remaining programs would have little or no impact on Indonesia's capacity to continue "confrontation." The Indonesian Government would be likely to react to such termination by lashing out in anger, pushing "confrontation" harder, turning for help to the Communist powers, and further widening the gap between Indonesia and the West. In the process, substantial American oil and other private investment in Indonesia might well be expropriated.

All elements of these programs, including pipeline deliveries from previous years, as well as PL 480 programs (which are not controlled by Section 620 (j)), are being kept under continuing review.

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**53. National Security Action Memorandum No. 309<sup>1</sup>**

Washington, July 6, 1964.

FOR

The Secretary of State  
The Secretary of Defense  
The Administrator, Agency for International Development

SUBJECT

Presidential Determination—Aid to Indonesia

On the recommendation of the Secretary of State, the Secretary of Defense, and the Administrator of the Agency for International Development, the President has decided that no public determination with respect to aid to Indonesia should be made at this time, in view of the unsettled conditions in the South Pacific area. The limited programs, however, of economic and MAP assistance which have resulted from the reviews conducted by the Secretaries of State and Defense are essential to the national interest and are to continue. The Secretaries of State and Defense will report to the President on a quarterly basis the results of their continuing review of these programs.

**McGeorge Bundy**

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, S/S-NSAM Files: Lot 72 D 316, NSAM 309. Secret.

**54. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, July 11, 1964, 2:13 p.m.

35. Deptels action Djakarta 9, 10 refer.<sup>2</sup> After further consideration analysis and proposals contained reftels in light responses interested posts,<sup>3</sup> believe you should focus in farewell call on Sukarno on effect on US–Indo relation of Malaysian dispute and eschew discussion Conciliation Commission, withdrawals, or other substantive aspects dispute itself. Sukarno should be left with impression we have no intention of advancing further suggestions, that we see problem and current impasse in lapse Asian principals. Main purpose your call should be convey deep sense personal and official concern over deteriorating trend US–Indo relations which far transcend quarrel with Malaysia. Same approach and theme should predominate in other farewell talks with Indo leaders and Phil Amb. Reyes if you see him.

Suggest your remarks to Sukarno follow following lines:

1) You depart with sense disappointment at inconclusive results Tokyo meeting and current impasse in efforts principals find peaceful solution Malaysian problem, but with even stronger conviction that this is Asian problem and that Asian nations involved can and must find way out.

2) More profound and vastly more disturbing however is effect of military confrontation on US–Indonesian relations. Since 1945, US and Indo have differed on occasion, often strongly, on variety of issues. Nevertheless a common dedication to basic ideals and principles embodied in Pantja Sila and Declaration Independence has stood above these differences preserving friendship and understanding and encouraging close US–Indo cooperation in wide range common efforts. Over past six months however Indos' policy re Malaysia has brought in its train progressively more serious deterioration in US–Indo relations, a trend which if unchecked could place basic fabric our relationship in jeopardy. This deterioration marked by series of actions of such evident

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 3 MAPHILINDO. Confidential. Drafted by Underhill, cleared by Cuthell, Harriman, and Green, and approved by William Bundy. Repeated to Kuala Lumpur, Manila, London, Canberra, and CINCPAC for POLAD.

<sup>2</sup> In telegrams 9 and 10 to Djakarta, both July 4, the Department suggested possible courses of action and presented its assessment of the positions of the parties in the wake of the Tokyo summit. (Both *ibid.*)

<sup>3</sup> The principal Embassy comments on telegrams 9 and 10 to Djakarta are in telegrams 70 from London, July 6; 34 from Kuala Lumpur, July 7; and 61 from Djakarta, July 8. (All *ibid.*)

hostility to US as to arouse doubts about Indonesian desires and intentions. To cite specific examples:

a. Intense and growing anti-US propaganda campaign throughout Indo, which obviously being carried on with Sukarno acquiescence. Not only has GOI allowed this campaign reach unprecedented levels but GOI leaders have directly contributed to it by participating in, and in some cases sponsoring, public functions at which US main target.

b. Apparent Indo decision abandon longstanding policy of non-involvement in Viet Nam issue (parting company, incidentally, with mainstream Afro-Asian attitude) in favor increasingly open support communist North Viet Nam and NLF SVN which is its agent. We can only take this as direct affront to US efforts defend South Viet Nam against external aggression—efforts which Sukarno must understand we are utterly determined pursue to successful conclusion.

c. Parallel Indo decision to place selves on communist side in Korea by recognizing Pyongyang regime. In this case, Indo not only offering affront to US but to UN as well.

d. Public statements by GOI leaders clearly portraying US as opponent Indo policies in Southeast Asia, such as Gen Yani's June 22 remarks (Djakarta's 2602) and Abdulgani's June 28 speech (Djakarta's 2638).<sup>4</sup> FYI. Will leave to Ambassador whether cite these particular examples. We would not want undercut Yani's position by singling him out for criticism and same goes to lesser extent for Abdulgani. On other hand, might even help Yani a bit to express concern at his remarks. End FYI.

3) Malaysian problem and confrontation has also within US tarnished Indonesian image and made it progressively more difficult for Indonesia's friends in Government, Congress, the press, and public at large to understand and explain Indonesia's position. To Sukarno Indo case needs no justification. Indonesia's American friends, however, see South East Asia's only major power, dwarfing all neighbors in area, population, natural resources, military strength, resorting to military force in political dispute with small, militarily weak neighbor, leaving this neighbor no honorable recourse but to draw into dispute European power whose departure from area Indonesia, paradoxically, wishes to accelerate. No one admires a bully.

4) You leave Indonesia with heartfelt hope Sukarno, Tunku, Macapagal, with assistance Asian-African nations can find solution this problem which is poisoning Indo-US friendship. You may wish draw on perspective your ten years close association with Indonesia to observe US has been true friend Indonesia with no other objectives in association

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<sup>4</sup> Dated June 23 and 29. (Ibid., POL ASIA SE-INDON)

than those Sukarno has so often stated for his country: freedom, dignity, prosperity, peace.<sup>5</sup>

Since objective would be to focus Sukarno's attention on US-Indo relations, we would like to avoid encouraging Thai or Phil efforts which might look like US-sponsored follow-up. We would like to give Sukarno and others a week or two to mull over your departing thoughts and speculate on your Moscow visit, and only then would plan approach Phils or Thai along roughly same lines and offer proposal contained Deptel 11.<sup>6</sup> Luns visit, Tunku's travels hopefully offer prospect brief hiatus for further Asian peacemaking efforts.

Ball

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<sup>5</sup> In telegram 94 from Djakarta, July 14, Jones reported on his final farewell talk with Sukarno in which Jones made all the points outlined in telegram 35 to Djakarta. Jones described the conversation as "whole unsatisfactory" with an impatient and irritable Sukarno countering every point made by Jones with criticism of the United States. Jones admitted that the meeting had been "discouraging and sobering." (Ibid., POL INDON-US)

<sup>6</sup> Dated July 4. (Ibid., POL 3 MAPHILINDO)

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## 55. Memorandum From Robert W. Komer of the National Security Council Staff to President Johnson<sup>1</sup>

Washington, July 17, 1964.

*Malaysia-Indonesia Dispute.* For your background prior to the Tunku's visit next week, this pot is still simmering and could rapidly heat up.

So far we've managed (with help from Philippines and Thais) to keep it damped down by a series of time-buying maneuvers. But the long awaited Tokyo summit meeting in late June failed to bridge the gap. The Indos did pull out a few guerrillas from Malaysian Borneo, but they evaded full scale withdrawal. The one thing Tokyo did produce was acceptance—most reluctantly by the Malaysians—of Macapagal's

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Malaysia, Vol. II, Memos, 4/64–7/64. Attached to this memorandum was a July 17 note from Komer to McGeorge Bundy in which Komer wrote: "Here's the Malaysia round-up I promised you, for weekend reading I presume. RWK." There is no indication that the President saw it.

proposal for the creation of a *four-nation Afro-Asian conciliation commission*. The Foreign Ministers are to meet in due course to study this proposal and to work toward another summit. This is a thin reed to lean on, but we're trying.

The Indos evidently anticipate a new Foreign Ministers' meeting in August. They've also suggested that the Thais re-inject themselves as an intermediary in place of the Filipinos. But Indonesian guerrillas continue sporadically active in Borneo, and an incident any time could wreck the chances of a meeting.

At present both parties are seeking to line up international support—the Tunku at the Commonwealth Prime Minister's Conference and next week in Washington, the Indonesians in Bangkok and Moscow. The Indos claim they're getting a lot more Soviet arms, but we suspect these may just be a speeding up of previous orders.

The big uncertainty is Indonesia's real intentions. Sukarno is heavily committed to "confrontation", both by his words and by pressures from the Indo Communists and the Army. Yet there is evidence that the results of "confrontation" have disappointed him to date, and that he might step back from over-commitment for the time being if a face-saving device could be found.

The Afro-Asian Conciliation Commission may well serve this purpose. Through the process of negotiation leading up to such a commission, and the inevitably lengthy process of conciliation by the commission, we could hope that hostilities would be kept damped down.

To keep the parties talking rather than fighting, we'll have to continue using the carrot and stick on both the Indonesians and the Malaysians (and their Commonwealth allies). This is no time to give the Indos many goodies, but we do want to keep dangling the prospect of renewed Western aid if Sukarno would only stop acting up.

It would be easy for us to join the UK in all-out support for Malaysia and to dare Sukarno to up the ante. This might scare off the Bung for now, but more likely just push him closer to Peking and Moscow and into more reliance on the Communists at home. Our aim is not just to turn off the jungle fighting in Borneo, but to do it in a way that doesn't lose Indonesia to us. Rather a neutralist Sukarno than a Communist running the country. So it still makes sense for us to lean over backwards (without sacrificing Malaysia), so long as there's even a reasonable chance that we can keep the lid from blowing off.

**R.W. Komer**



## 56. National Intelligence Estimate<sup>1</sup>

NIE 55–64

Washington, July 22, 1964.

### PROSPECTS FOR INDONESIA

#### The Problem

To examine the major trends in Indonesia and to estimate probable developments, taking into account implications of the campaign against Malaysia.<sup>2</sup>

#### Conclusions

A. President Sukarno remains virtually all-powerful in Indonesia and there is almost no chance that his rule or his policies will be effectively challenged by any group, movement, or individual during his lifetime. Neither increased economic stringency nor dissidence in the outer islands is likely to threaten Sukarno's position seriously. (Para. 3)

B. Over the past year Sukarno has tended to reinforce the position of the Indonesian Communist Party (PKI) and reduce the political influence of the military. Although PKI influence in the government remains relatively limited, it is likely to continue growing as long as Sukarno remains in power. Sukarno does not seek to establish PKI dominance but, over the long term, to fuse it with other radical and nationalist elements that he has slowly drawn into supporting his objectives. The PKI, well aware of his tactic, will probably continue ostensibly to support Sukarno, in the belief that in the long run the Communist cause will be the chief beneficiary of the economic, social, and political disarray he will bequeath to Indonesia. (Paras. 2–14)

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<sup>1</sup> Source: Department of State, INR/EAP Files: Lot 90 D 165, NIE 55–64. Secret; Controlled Dissem. This estimate was prepared by the Central Intelligence Agency and the intelligence organizations of the Departments of State and Defense and NSA. All members of the U.S. Intelligence Board concurred with it on July 22 with the exception of the representatives of the FBI and AEC who abstained on the grounds that the topic was outside their jurisdiction.

<sup>2</sup> See also NIE 55–63, "Indonesia's International Orientation," dated April 10, 1963; and NIE 54/55–63, "The Malaysia–Indonesia Conflict," dated 30 October 1963. The judgments in both estimates remain essentially valid. [Footnote in the source text. NIE 55–63's essential conclusion was that Sukarno's "foreign policy actions are in some measure influenced by a desire to remain on good terms with both East and West." (Johnson Library, National Security File, National Security Estimates, 55, Indonesia) The summary portion of NIE 54/55–63 is printed in *Foreign Relations*, 1961–1963, vol. XXIII, Document 346.

C. Sukarno's campaign to disrupt Malaysia—"confrontation"—has helped accelerate the drift toward the radical left and will do so further if, as seems likely, the campaign continues. Sukarno will probably continue to seek to avoid open hostilities with British Commonwealth forces, because of the uncertainty of victory. A decisive trend in the struggle in South Vietnam, either way, would have some effect upon political forces in Indonesia and upon the pitch of the anti-Malaysia campaign. But, in any case, the mainsprings of Sukarno's foreign policy actions will continue to be found primarily in purely Indonesian considerations. (Paras. 1, 33, 36)

D. Confrontation has speeded the deterioration of the Indonesian economy. The most serious short-term problems are growing shortages of foodstuffs and other consumer necessities, and a heavy balance of payments deficit; prospects for improvement are not bright. The political impact has thus far been slight, but if food shortages persist, the problem of maintaining public order in urban areas could become serious. (Paras. 17-32)

E. These developments will probably not lead to any marked changes in Indonesian foreign policy over the next few years. Indonesia's growing cordiality with Communist China will probably continue, based on a near identity of short-term interests in the Afro-Asian world. The USSR, clearly disappointed by its failure to achieve predominant influence in Indonesia, even in the PKI, possesses only limited influence with Sukarno despite its vast military assistance to confrontation. (Paras. 34-35)

F. The road ahead for Indonesia is a troubled one of domestic deterioration, external aggression, and overall Communist profit. This prospect will not brighten until and unless Indonesia's energies are turned from foreign ambitions, which probably include Portuguese Timor and, in due course, the rest of New Guinea, and are devoted to the development of this potentially rich country. It is unlikely that such a shift will occur so long as Sukarno dominates Indonesia. (Para. 37)

[Here follows the Discussion section of the estimate.]

**57. Memorandum of Conversation<sup>1</sup>**

Washington, July 23, 1964, 5 p.m.

**SUBJECT**President's Second Meeting with the Prime Minister of Malaysia<sup>2</sup>**PARTICIPANTS**

Tunku Abdul Rahman, Prime Minister of Malaysia

Dato Ong Yoke Lin, Ambassador of Malaysia

Dato Muhammed Ghazali bin Shafie, Permanent Secretary for External Affairs

The President

William P. Bundy, Assistant Secretary of State for Far Eastern Affairs

James D. Bell, American Ambassador to Malaysia

R.W. Komer, the White House

The President greeted the Tunku warmly and asked him if he approved the communiqué. The President and the Tunku each read the draft communiqué<sup>3</sup> after which each expressed approval.

The President then told the Tunku that he hoped he returned to Malaysia with a clear sense of our support and admiration for him and for his country. The Tunku expressed his appreciation and thanks for all the kindness shown him on this visit.

The President reminded the Tunku of their conversation of July 22 about U.S. policy and said he hoped he understood our views. We thought it wise to be careful not to antagonize Sukarno unnecessarily. We applauded the Tunku's restraint and urged him to continue to play his statesmanlike role. Patience and restraint were important; "if we can be patient enough, the other fellow will make the errors". The Tunku nodded assent and indicated that he agreed with the President's position. The President then expressed his hope that Malaysia could

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Malaysia, Vol. II. Secret. Drafted by Komer.

<sup>2</sup> Johnson and Tunku Abdul Rahman met alone on July 22. No record of their conversation was made, but for a second-hand account of their meeting, see Document 265. In a memorandum to the President, July 23, Komer suggested that this meeting "seemed free of knotty problems." Komer thought that the Tunku's visit had been smooth, his mood was good, he was pleased with overt signs of U.S. support, but Komer feared that the Prime Minister was using his Washington visit as a platform for "tough anti-Indo talk." Komer suggested the problem was that the Tunku might get "too-cocky towards Sukarno because he thinks he's got us in his hip pocket." Komer suggested that the President emphasize to the Tunku the need for care and restraint in relations with Sukarno—"let the other guy make the mistakes"—lowering the rhetoric, mending fences with the Philippines, and not to let the Tunku think he has a "blank check" for U.S. credit sales and training. (Johnson Library, National Security File, Files of Robert W. Komer, Malaysia, Dec. 63–Mar 66)

<sup>3</sup> Printed in *American Foreign Policy: Current Documents*, 1964, pp. 899–900.

solve its troubles with the Philippines. Dissension between Malaysia and the Philippines was only "water on the paddle of the Indonesian extremists."

We looked forward, the President indicated, to further talks in regard to Malaysia's desire for credits and military training. We would be glad to have the Malaysian Chief of Staff come here or to talk with other Malaysian defense people on this matter.

On the question of relations with the Philippines, the Tunku said, the Filipino attitude was disappointing. When he and Macapagal had met in Cambodia, the Tunku had asked the latter if there were any problems and suggested that these could easily be resolved. He was willing to let the Filipino claim go to a bilateral group, but the Filipinos didn't seem much interested in better relations. As the Tunku put it, "they were with us in the ASA but now they seem to take sides with Sukarno." This was a great disappointment. The Filipinos were unlike the Thais who had been with Malaysia from the beginning.

The President asked the Tunku about the riots in Singapore, saying that we had our own problems in New York. He hoped the Tunku was more successful than he had been in stopping this sort of trouble. The Prime Minister replied that the situation in Singapore was still tense. There had been three more deaths but the situation seemed to be quieting down. The President hoped the Tunku wouldn't have to cut his visit short and go back early. The Tunku said he was considering this but hoped to be able to go on to Canada.

As the meeting ended the Tunku invited the President to visit Malaysia at some early and convenient time.

**58. Telegram From the Department of State to the Embassy in Thailand<sup>1</sup>**

Washington, August 13, 1964, 5:46 p.m.

226. Depcirtel 252.<sup>2</sup> From replies to reftel<sup>3</sup> following appears consensus on current status Malaysian dispute:

1. Neither principal appears interested in continuing formal direct negotiations in absence clear exits from Tokyo impasse. Current level guerrilla activity is low, and Indos engaged in diplomatic activity to develop further support from Soviet Union, North Korea, and North Viet-Nam. GOM preoccupied with internal problems, and attention likely to be focused inward in first weeks following Tunku's return.

2. Thanat initiative for resort to salutary secret preparatory diplomacy appears best and perhaps only way to avoid creating in AACC another imposing but empty negotiating mechanism.

3. Phils are committed to publicized direct negotiations and, in view foregoing, their role for present essentially unconstructive. Macapagal and Lopez for personal and domestic political reasons appear determined however to pursue role of mediator and probably cannot be diverted.

Under circumstances Dept feels that, while approach outlined cirtel 252 as modified by posts' comments still valid, time for pursuing it does not seem to have arrived. Agree with Kuala Lumpur 150 that Thai participation in AACC is essential and therefore Phils must be committed to naming Thais as their rep on AACC before Malaysians announce choice Nigerians. Prior and secret Phil agreement is therefore necessary first step in implementing plan, but difficult to accomplish in context current Phil efforts. As Phils run up against GOI-GOM footdragging on resumption formal talks opportunity may then arise for essential Lopez-Thanat liaison. In absence such liaison Lopez likely conclude Thanat working against him.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON-MALAYSIA. Secret; Priority. Drafted by Underhill and Cuthell and approved by Green. Repeated to Manila, Djakarta, and Kuala Lumpur.

<sup>2</sup> In circular telegram 252, August 7, the Department presented its views on prospects for the Indon-Malaysian dispute. It believed that the Afro-Asian Conciliation Commission (AACC) must be pursued and not rejected by Malaysia. The basic obstacle to peace remained Indonesian guerrillas in East Malaysia and the Department suggested that the AACC might be able to convince Sukarno to withdraw them. Such a plan would require careful prearrangement and prior acceptance. (Ibid.)

<sup>3</sup> The major replies are in telegrams 165 from Bangkok, August 9; 150 from Kuala Lumpur, August 10; 273 from Manila, August 11; and 249 from Djakarta, August 11. (All *ibid.*)

*For Bangkok:* Department believes that at this stage best procedure would be for you to review current situation with Thanat, drawing on cirtel 252, Manila, Djakarta and Kuala Lumpur responses thereto, and this telegram in order ascertain Thanat's views. Would be preferable if you could do this before Thanat meets Razak, but would like to avoid having Thanat cite any ideas or problems raised as originating with USG. Request you emphasize importance some sort of liaison with Phils and suggest time may have come for Thanat to invite Lopez to Bangkok for strategy session. If Thanat prefers, we would undertake to tell Macapagal we believe his and Thanat's efforts should be coordinated, suggesting Macapagal send Lopez to Bangkok.

**Rusk**

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**59. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, August 17, 1964, 6:45 p.m.

174. Department gravely concerned by developments of past few days, specifically:

1. Landing of Indo troops in Malaya.
2. Sukarno's speech. As summarized your 312,<sup>2</sup> speech contains little that is new, but is summary of current Indonesian view of world which is in conflict with our interests at almost every point.
3. Recent presumably PKI-organized actions against US private properties in fields rubber, petroleum and civil aviation.
4. Seizure Djogjakarta library.<sup>3</sup>

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US. Confidential; Immediate. Drafted by Cuthell and approved by Green. Repeated to Kuala Lumpur.

<sup>2</sup> Sukarno's Independence Day speech of August 17. In telegram 312 from Djakarta, August 17, the Embassy suggested that "Sukarno went far toward denouncing the USG as main enemy of Indo revolution and aligning Indo psychologically with Asian Communist regimes." (Ibid., POL 15-1 INDON) For CIA and Embassy later assessments of the speech, see Document 62 and footnote 2 thereto.

<sup>3</sup> The Jefferson Library of the USIS in Djogjakarata was taken over by an anti-American mob on August 15.

On other hand we have also noted Indo temperance so far in reacting news Tower amendment<sup>4</sup> and a few minor GOI actions such as granting permission for EmbOffs travel to West Irian.

Above numbered developments will obviously make much more difficult administration's efforts to secure modification or deletion of Tower amendment from aid bill. They also lead Department to wonder whether, either as conscious program or as result unwillingness face down PKI, GOI is in process making rapid readjustment in its foreign policy toward break with US. While we realize difficulty of doing so in present confused situation, Department urgently requests your views on present situation and where it is trending as well as any recommendations you may have on US actions to meet situation.<sup>5</sup>

**Rusk**

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<sup>4</sup> An amendment by Senator John Tower of Texas to the Foreign Assistance bill banning U.S. assistance to Indonesia and military training of Indonesian nationals in the United States. In a telephone call to Ball on August 17 at 5:45 p.m., President Johnson asked him to talk to Dirksen and Fulbright to see if the Tower amendment could be eliminated or made discretionary. (Johnson Library, Ball Papers, Telephone Conversations, Indonesia, [4/12/64–11/10/65])

<sup>5</sup> See Document 63 for Galbraith's long-range assessment.

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**60. Memorandum From the Deputy Assistant Secretary of State for Far Eastern Affairs (Green) to Secretary of State Rusk<sup>1</sup>**

Washington, August 19, 1964.

**SUBJECT**

Your Lunch with the President Today<sup>2</sup>—Current Indonesian Developments

On the assumption that Indonesia is likely to be discussed at your lunch with the President, I thought it might be useful for you to have a brief summary of our current view of the situation, and my preliminary estimate as to how we may have to react to it. I must emphasize that

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, AID (US) INDON. Secret. Drafted by Green and Cuthell.

<sup>2</sup> President Johnson met with Rusk, Ball, Vance, and McGeorge Bundy at 1:33 p.m. in the White House. (Johnson Library, President's Daily Diary) No other record of this meeting has been found.

these conclusions about future developments are still very tentative, and have not been cleared or discussed in detail outside this Bureau. I thought, however, you might wish to have them for your conversation with the President.

Sukarno's August 17 speech<sup>3</sup> (full text not yet available) was a catalogue of specific points in Indonesian foreign policy in direct opposition to ours, and included lengthy sections on domestic affairs in which Sukarno set forth views identical with or very close to the PKI. During the period immediately preceding the speech various Indonesian groups with or without Government blessing seized our USIS Library in Djogjakarta, threatened take-overs or boycotts of several American private businesses, and increased the tempo of the current anti-American campaign. We assume that the stridency of the August 17 period will now give way to relative calm, but believe we are faced with an Indonesian Government which is increasingly moving away from the United States both internally and externally. That is also our Embassy's judgment.

During the same recent period we have had a new amendment on Indonesian aid passed by the Senate.<sup>4</sup> As we understand it, the present hope is that the final bill will contain the Tower amendment as written, further amended to give the President discretionary authority to continue such aid as he considers in the national interest. The practical effect of this would seem to be that shortly after the bill becomes law the President will be faced with the necessity of making a publicized formal determination on aid to Indonesia.

Bearing in mind both the difficulty of making a favorable determination in the light of Indonesia's recent conduct and the undesirability of giving Sukarno a pat on the back by doing so at this point, I am considering areas in which the current Indonesian program could be contracted, both to get the lesson home to Sukarno and to reduce pressures in the United States. Specifically I believe that the time may have come when we should terminate aid to Indonesian military and paramilitary organizations, but that we should attempt to maintain over the next years as much of a program of educational exchange and support for Indonesian educational institutions as we can. If possible, it would seem desirable to continue the Peace Corps program and the program for malaria eradication.

If the United States should announce termination of aid to the Indonesian military as a unilateral action we would expect a strong and perhaps violent Indonesian reaction. We would expect abrogation

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<sup>3</sup> See footnote 2, Document 59.

<sup>4</sup> See footnote 4, Document 59.



of the agreement protecting our oil properties and loss of other American investments, and would anticipate violence against Government installations and perhaps people, a situation which would obviously create a new major problem to us in Southeast Asia in the months ahead.

If we decide to terminate military aid we believe there is a good chance that we could exit with minimum adverse reaction from the present situation by pointing out to the Indonesians that the Tower amendment and their own policies are leading toward the ending of such aid, and suggesting to them that, in the interests of removing irritants to our relations, we agree to immediate termination of our military assistance program, and that the Indonesian Government issue an announcement to this effect. On the basis of discussions which Ambassador Jones had with Sukarno and Subandrio last spring we believe that the Indonesians might find this an attractive and face-saving approach to the problem. (Subandrio at that time spoke of such Indonesian action as a useful way of removing programs which were becoming irritations in our relations rather than contributing to them.) From our point of view, encouraging Indonesia to take this course would stand a better chance of relieving us of increasingly embarrassing programs without creating the long-range obstacle to the resumption of good relations with any Indonesian Government which would undoubtedly result from unilateral American action.

For the foregoing plan to work, it would be necessary to discuss the subject quietly with Sukarno and Subandrio soon, as the Indonesians would have to act before the aid bill becomes law. I plan, therefore, to make a detailed recommendation to you on this subject as soon as the status of the Tower amendment becomes more clear, but thought you might wish to go over the subject in general terms with the President.

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**61. Memorandum From Robert W. Komer of the National Security Council Staff to President Johnson<sup>1</sup>**

Washington, August 19, 1964.

The more we look at it, the more all of us working on Asia fear that *Tower's amendment*, even with discretionary language, not only

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. II, Cables and Memos, 5/64-8/64, [2 of 2]. Secret.

puts you on the spot but moves us dangerously close to a final break with Indonesia. Sukarno's speech, irresponsible though it was, is a clear signal that he may have decided there's no hope of keeping open a bridge to us.

A. The foreign policy case for not giving Sukarno new grounds to react is a powerful one. We've strung him along for years (with our eyes open), on the basic premise that if he swung too far left we'd lose the third largest country in Asia—whose strategic location and 100 million people make it a far greater prize than Vietnam. To leave Sukarno no opening toward us multiplies the odds that he'll end up the prisoner of his powerful CP (largest in Free Asia and Peking-oriented).

B. Since Tower's language calls for *immediately* stopping all aid and training, he or others could press for an immediate determination under the discretionary language—thus putting on you the burden of going against the will of Congress (before the election). So it's worse than the Broomfield amendment, with which we've lived for many months.

Though I passed word to Gaud and Ball that you left the issue to their judgment and that your main objective was to dispose of Tower, Ball had already moved to offer discretionary language to Fulbright and Dirksen. Rusk, Ball and Gaud apparently hesitate now to re-open the issue without a signal from you.

I'd argue, however, that we've met any obligation to Dirksen by State giving him the discretionary language, and that we could now try to kill Tower outright in conference. If not we could always retreat.

State/AID experts propose we quietly tell Indos pronto we're suspending all military aid (aside from completing the training of Indo officers already here—to send them packing would be an insult), and continuing only the minor AID technical assistance. Then we could clue conferees quietly that we've done most of what Congress wants, so please drop Tower amendment and not box you in.<sup>2</sup> I'd endorse this too. What's essential is not to force on you the impossible choice of either defying the will of Congress in an unpopular cause or letting the break with Indonesia move further to the point of no return.

R.W. Komer

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<sup>2</sup> Ball telephoned Senator Everett Dirksen at 6:35 p.m. on August 18. Dirksen stated that discretionary language did not do any good. This was a "difficult parliamentary situation" and the Tower amendment could not be amended nor could it be vacated because of opposition. Dirksen talked to Fulbright and Mansfield and they thought it best to let it go to the House where "Tom Morgan and his boys would stand fast and take it." Dirksen said there would not be "too much ruckus from our side. There is a matter of pride." (Ibid., Ball Papers, Telephone Conversations, Indonesia, [4/12/64-11/10/65])

**62. Current Intelligence Memorandum<sup>1</sup>**

OCI No. 2217/64

Washington, August 20, 1964.

**SUBJECT**

Sukarno's Independence Day Speech

1. Sukarno's independence day speech on 17 August explicitly confirms his accelerated swing to the left during the past 18 months.<sup>2</sup> It charts a course—both international and domestic—which is close to the immediate objectives of the Indonesian Communist Party. The speech precludes any real relaxation of the intensified anti-Americanism in Indonesia of the last few months. Although the anti-American campaign may ebb and flow to suit the purposes of Sukarno or the Communist Party, the long-range intent will remain unchanged: get the US out of Southeast Asia.

2. Sukarno declared that non-Asians must leave all of Asia, that South Korea and South Vietnam are "not yet free," and that Laos will be "truly neutral, united, and democratic" only if the imperialists withdraw their troops from the area. He announced that "we condemn as strongly as possible the American attack on North Vietnam." He castigated Malaysia intermittently throughout the speech, referring to it variously as a "barking dog," a "watchdog," and a "puppet" of imperialism.

3. Regarding relations with the United States, Sukarno said that despite repeated evidence of US Government hostility toward Indonesia over the years, he had tried to remain friendly toward America. US support of Malaysia, however, he said was "too much." The US was pretending to be friendly with both Indonesia and Malaysia; friendship with both, according to Sukarno, is impossible, and Indonesia will not accept such a pretense.

4. On the subject of cultural relations with the West and particularly with the US, Sukarno said he was no longer able to consider America the "center of an idea." He strongly criticized those Indone-

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. II, Cables and Memos, 5/64–8/64 [2 of 2]. Confidential. Prepared in the Office of Current Intelligence of the CIA.

<sup>2</sup> In telegram 317 from Djakarta, August 18, the Embassy stated that Sukarno's speech "cannot be shrugged off as more of the same." As he had in previously prepared major speeches, Sukarno declared "Indonesia in the camp of Asian Communists and opposed to US—opposed not only on issues of the day like Vietnam and Malaysia, but fundamentally opposed to our thought, our influence and our leadership." (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 15–1 INDON)

sians who copy Western ways and ridiculed Western efforts to influence Indonesia through libraries, films, and other forms of propaganda.

5. On foreign investment, Sukarno made it clear that American interests eventually would be taken over. "I wish to confirm that basically and eventually there will be no imperialist capital operating on Indonesian soil." He said British businesses will be completely taken over by the government and that compensation will depend upon the UK's stand toward the liquidation of Malaysia.

6. Regarding domestic policy, Sukarno emphasized that the "retooling" of reactionaries would be carried on at all levels without letup. He reiterated his long-standing concept of NASAKOM—the fusion of nationalist, religious, and Communist elements in Indonesian society and government—and said that whoever opposes NASAKOM opposes the Indonesian revolution. Sukarno endorsed the Communist concept of two stages of revolution, noting that the present bourgeois democratic stage would be succeeded in due course by a socialist stage.

7. He implied support of recent Communist land seizures, saying that the "unilateral action" of farmers was understandable in view of the slow implementation of land reform. He announced that land reform courts—a Communist demand—will be established. He lavished praise on North Korean agricultural successes and spoke of "freeing the productive power" of Indonesian villages—possibly pointing toward a plan for agricultural collectivism.

8. Sukarno did not indicate any specific moves against US interests in the immediate future. Considering the content of his speech, however, the seizure of the USIS library at Jogjakarta on 15 August was probably coordinated with Djakarta. Other threatened seizures have not materialized, nor have there been further demonstrations against US estates in North Sumatra. Rumored action against a US tire factory in Bogor, West Java, also has not developed. In both areas, the army and police have taken steps to protect American persons and property.

9. The Communist Party (PKI) moved immediately to identify itself with Sukarno's speech and to prepare to exploit it in furthering its own program wherever possible. A special statement by party chairman Aidit on 18 August welcomed the speech as "fully in line" with the struggle of the Indonesian and Southeast Asian peoples "at present." Aidit has instructed PKI provincial officials and party members to study the speech so that it may be used to "guide the Indonesian people in their activities."

10. The speech raises the question whether the position assumed by Sukarno is fully his own or whether it has been imposed upon him, at least in part, by the large and highly effective Communist Party. Over the years, the Sukarno-Communist relationship has appeared to be one of mutual exploitation. It seems highly unlikely that Sukarno

has long been a Communist and is simply gradually surfacing his convictions now, but his predilection for Marxist patterns of thought, his spirit of opportunism, and his faith in his superb ability to manipulate individuals and groups may have carried him too far. It would appear at this time that Sukarno has deliberately chosen, on his own, to stand internationally with the anti-Western Asian world. Domestically, however, it seems likely that because he lacks administrative blueprints of his own and needs an effective organized political instrument, he has allowed too much influence to slip into Communist hands, and that he is well on his way to becoming a captive of the Communists.

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**63. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, August 24, 1967, 7 p.m.

359. Deptel 188.<sup>2</sup> Following is my assessment and recommendations on Indonesia in light most recent events but with background Sukarno's words and their implementation in action over last 15 years. Admittedly crystal ball murky in this atmosphere but seems necessary try use it anyway.

*A. Assessment:*

1. Although zigzag tactics Sukarno regime difficult predict the at least vague outlines of its course just ahead seems set and short-term effect on US official position here reasonably clear. US is in for harassment and trouble from PKI and other leftists and government will only half-heartedly apply brakes to them under best of circumstances we can expect. How far this will be allowed to affect operations under private American investment here, particularly in oil, not yet clear.

2. Malaysia, immediate cause rapid deterioration US-Indo relations over last year, is not subject meaningful settlement so long as Indos, as now, pursue negotiations as tactic to destroy Malaysia with objective dominating territory, under one pretext or another.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 1 INDON-US. Top Secret; Immediate; Limited Distribution. Passed to the White House.

<sup>2</sup> In telegram 188 to Djakarta, August 21, the Department informed Galbraith of the "high-level reappraisal of U.S. policy towards Indonesia with special reference to military assistance" and asked for his assessment. (Ibid.)

3. PKI will continue to spearhead confrontation against Malaysia and lead popular support for most other Sukarno causes. Its pressure on government in turn to espouse PKI causes will be unrelenting but so measured as to be at same time irresistible to Sukarno.

4. PNI under present leadership too sycophantic to other than follow Sukarno's lead. NU has weak leadership and organization and is unable do much but mute enthusiasm with which it says "me too" to Sukarno. Other parties either inconsequential or subject Sukarno's manipulation or both.

5. Army will try to keep its unity and its correct attitude vis-à-vis Sukarno. Pressures on army leadership for conformity will increase, however, and its strength and unity of purpose under non-Communist leadership will inevitably erode. Army will try to salvage as much as it can in way training and keep its special relations with US military but this is likely to be reduced soon to trickle or hiatus. Air force and navy have virtually written off US assistance.

6. Indonesia's domestic and foreign posture will be dominated by Sukarno's growing megalomania. And whether as result decision made long ago by him or as consequence his predilection for and training in revolution, Sukarno will lead Indonesia in way which will strengthen hand PKI and take Indonesia further into Communist camp.

7. Sukarno will continue his drive for Asian-African leadership generally through espousing anti-imperialism, etc. and particularly through promoting as many A-A conferences as possible here in Indonesia. He will also make special effort to exert leadership with North Korea, North Vietnam and Cambodia and this will lead him to beat anti-US drum and echo Peking. Conscious of Indo reliance on Soviets for arms and other support, Indonesia will point effort to effect reconciliation of USSR and CPR.

8. Sukarno and his closest advisers like Subandrio speak of passing through stages of revolution advancing to socialism (communism). Although this process has at times appeared and now appears to be moving rapidly, it has actually not gone very far. Army, most of governing class (despite heavy Communist influence some Ministries such as Basic Education, Information, Sports and Justice), larger part of Moslem, mainly peasant population, is still unprepared and "revolutionary" changes remain largely at verbal level or confined to central authorities Djakarta. PKI still has much to do, as party itself seems aware (FND 7069)<sup>3</sup> although PKI dedication, energy and drive and financial backing should not be underestimated.

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<sup>3</sup> Not further identified.

9. Drive by Sukarno to take Indonesia into Socialist camp is therefore race by him with Father Time in which odds are against Sukarno. Sukarno's fellow revolutionaries have been dying off fast last few years. New generation is coming on fast. Many of them can be counted on to put their educations to work on Indonesia's real problems of sagging economy and social backwardness, if and when they get the chance. Need for US aid would then be magnet drawing them toward us.

10. There is much discontent with economic waste and corruption and with Sukarno's arbitrary disposition of Indonesia's financial resources on his pet projects. Price of rice has reportedly doubled since Aug 17 speech. Sukarno's rice policy could well be his Achilles heel with hitherto compliant population. There is some dissidence and potential dissidence in outer islands like Sulawesi and Sumatra. However, leadership and organization to make discontent and dissidence effective in revolt is much less strong than in 1958. There is some stirring in NU and among what is left of Masjumi but it is still too inchoate to be meaningful.

11. Although Sukarno's bluster gives verbal aid and comfort to enemies of US in Far East, Indonesia has little real power to put in balance. It will tie down some British and perhaps eventually Australian and New Zealand forces but will itself be tied down in process.

*B. Recommendations:*

1. In anticipation further deterioration US-Indo relations US should reduce American presence subject to harassment here. It may actually relieve situation to close out some less meaningful projects. Specifically, where AID and MILTAG projects are completed or when Indonesians request US to end them, we should repatriate personnel with least possible fanfare and publicity.

2. On basis foregoing, Congress should be persuaded not to include in AID bill any additional restrictions on US aid to Indonesia to that contained in Presidential determination provision.

3. To extent possible maintain those aid, civic action and military and police assistance programs meaningful in terms of continuing contact and future influence. Keeping our commitments on some non-tactical items equipment will almost certainly be necessary to accommodate this.

4. On short notice be prepared to respond to emergency requests by responsible Indonesian leaders for food, riot control equipment and internal security items. This might entail stockpiling in areas close by such as Philippines and/or Australia.

5. By covert and overt means increase volume and effectiveness with which US version world events is provided Indonesians (this will require injection funds and people—this is field where US has been losing heaviest to ChiComs, Soviets and PKI).

6. Avoid insofar as possible communication to press, American or foreign, that any particular changes taking place in our policy toward Indonesia. Our public posture should be as in past: (a) continue ongoing programs as possible, (b) avoid taking position on substance Malaysian dispute, (c) oppose use of force to settle Malaysian disputes, (d) desire by US maintain friendship both Indonesia and Malaysia.

7. Keep contact open with NU and other elements opposed to Sukarno's anti-US policies (*[less than 1 line of source text not declassified]*) I am preparing assessment these contacts which will send shortly).

8. Be alert to development potential for meaningful dissidence, especially in outer islands and West Java, and be prepared move rapidly in support army should Sukarno-PKI pressures on army leaders or other occurrences precipitate army revolt against Sukarno.

To extent Department finds any above suggestions helpful, Embassy will submit detailed recommendation.

Galbraith

**64. Memorandum From James C. Thomson, Jr., of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, August 25, 1964.

SUBJECT

Indonesia and the Tuesday<sup>2</sup> Lunch

We assume that the problem of Indonesia will and should be raised anew at the Tuesday lunch this week. Here is a run-down on current thinking in the U.S. Government:

1. Since Sukarno's August 17 speech and the "invasion" of Malaysia in the wake of the Tower Amendment, State and Defense had been assuming a firm Presidential decision to cut off all military assistance to Indonesia. Now that the air has cleared a bit with little coverage of the Sukarno speech in this country and with the apparent death of the Tower Amendment, there is a faint but growing disposition to move less rapidly on this subject.

<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. II. Cables and Memos, 5/64-8/64, [2 of 2]. Secret.

<sup>2</sup> August 28.



2. State plans to review with Jones a proposed approach to Sukarno on his return to Djakarta next week. These instructions would involve his telling Sukarno in the next ten days or so that inasmuch as U.S. military assistance has become an irritant to U.S.-Indonesian relations both in Washington and in Djakarta, we should jointly agree to end this program. State proposes this move in order to take the heat off the Administration at home and in order to lay the ground for a continuation of economic assistance on a mutually acceptable basis. (The Indos are already taking action to suspend or cancel substantial portions of our military training arrangements.)

3. At the working level in Defense, however, it is suggested that it might be wise, before we bring about a Jones-Sukarno confrontation, to have our military people in Djakarta (Colonels Harvey and Benson) go to Nasution and Jani for a candid "where-the-hell-do-we-go-from-here" session in which they might obtain a better reading on the military's real hopes and needs. After all, it is argued, our military training program has been regarded as the most vital part of our Indonesian assistance in terms of future pay-off. If Nasution and Co. were to ask us to lie low for a while, it would be quite possible to taper off on military aid while continuing the civic action programs with considerably reduced staff under the wing of AID. (This proposal has been discussed with AID, and Poats is favorably inclined.)

4. As between these two courses, I would push for the Defense alternative. In terms of priorities, I would assume that our No. 1 objective is to keep our foot in the door for the long term stakes, but that a close second is to keep up our relationship with the Indo military if at all possible.<sup>3</sup> In this regard, then, any fast motion toward a cut-off would be a foolish waste of 15 years' investment. Far better to play it cool, as long as the issue is reasonably quiescent in this country, and to make a fast pitch to our real pals, the Indo military—and then to determine what line, if any, Jones should take with Sukarno.

I would hope that the Tuesday luncheon might produce a Presidential assurance to State and Defense that our objective remains the continuation of as much U.S. involvement as our Indo friends will permit us.

JCT Jr.

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<sup>3</sup> On August 24 Komer informed Bundy that, "McNaughton is urging McNamara to put a plug for not burning our bridges to Indo military unless US freight becomes too much to bear." What was really needed at the Tuesday lunch, according to Komer, was "for LBJ simply to say 'let's not let things go from bad to worse with Indonesia. We don't want another crisis right now. If we can sink Tower amendment, let's continue those few piddling programs which keep our lines open to Indos.' This will do the trick, let Rusk off the hook, and let us stay loose." (Johnson Library, National Security File, Country File, Indonesia, Vol. II, Cables and Memos, 5/64-8/64, [2 of 2])

## 65. Memorandum From the Joint Chiefs of Staff to Secretary of Defense McNamara<sup>1</sup>

JCSM-734-64

Washington, August 26, 1964.

### SUBJECT

US Policy Towards Indonesia (U)

1. Reference is made to a memorandum by the Assistant Secretary of Defense (ISA), I-12, 723/64, dated 21 August 1964,<sup>2</sup> subject as above, which requested the comments of the Joint Chiefs of Staff on a Department of State draft memorandum regarding the future course of US policy towards Indonesia.<sup>3</sup>

2. The Joint Chiefs of Staff concur generally in the substance of the draft memorandum. However, they do not consider that Indonesian [*less than 1 line of source text not declassified*] should be terminated completely at this time. In spite of President Sukarno's Malaysian policy, the United States has maintained close ties with members of the Indonesian Armed Forces. Provision of arms and ammunition has been suspended, but [*1 line of source text not declassified*]*—serves to preserve this US contact as a source of intelligence and possible future influence without indicating support for Sukarno's Malaysian policy.*

3. In reviewing the draft memorandum, the Joint Chiefs of Staff took into consideration the following:

a. Contacts maintained between US and Indonesian military personnel have been beneficial from an intelligence gathering aspect, as well as for maintaining US influence among the Indonesian military leaders. Desirably, this link should be continued insofar as practicable.

b. The major military implications which might be associated with further deterioration of US/Indonesian relations are set forth in the Appendix hereto.<sup>4</sup> Briefly, the principal military implication for the United States is the adverse effect on US military posture in Southeast Asia which could result from Indonesian reaction to a change in US policy. This could require the United States to undertake deterrent action or emergency evacuation of US citizens and certain allied nation-

<sup>1</sup> Source: Washington National Records Center, RG 330, OSD Files: FRC 69 A 7425, Indonesia. Secret.

<sup>2</sup> Not found, but summarized here.

<sup>3</sup> The copy of the draft memorandum is attached to an August 25 memorandum from McNaughton to McNamara in which McNaughton stated that he agreed with the JCS view that the intelligence sources and contacts with the Indonesian military that would be preserved by [*text not declassified*] could be valuable. (Washington National Records Center, RG 330, OSD Files: FRC 69 A 7425, Indonesia) For the Department of State memorandum as sent to the President, see the attachments to Document 67.

<sup>4</sup> Attached but not printed.

als. Even if such actions involved minimum force deployments, resources committed could affect other deployments, including those being considered to meet the situation on the Southeast Asian mainland.

4. It is recommended that the Department of State be advised:

a. That the Joint Chiefs of Staff concur generally in the substance of the draft memorandum. The proposed course of action might prevent an open diplomatic break in the face of deteriorating US/Indonesian relations.

b. That the Joint Chiefs of Staff consider that a closely monitored Indonesian [1 line of source text not declassified]—should be continued for intelligence purposes and for possible future influence upon key Indonesian leaders.

c. Of the military implications in paragraphs 13 through 15 of the Appendix.

d. That consideration should be given to the timely notification of SEATO and ANZUS Allies of any impending change in US policy towards Indonesia.

For the Joint Chiefs of Staff:

**Curtis E. LeMay**

*Acting Chairman*

*Joint Chiefs of Staff*

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**66. Memorandum From James C. Thomson, Jr., of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, August 26, 1964.

SUBJECT

Your phone call to Rusk regarding Indonesia

The purpose of a phone call to Rusk regarding Indonesia would be to urge that we play this one coolly and pragmatically, delaying any firm decision on termination of military aid until we get a better sense of (1) the outlook of our friends in the Indo military establishment, and (2) the evolving shape of the currently fluid Indo political structure.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. II, Cables and Memos, 5/64–8/64, [2 of 2]. Secret. Komer's initials appear on the memorandum with the comment, "Amen."

As matters now stand, State (FE) still proposes that we send Jones back to tell Sukarno of our decision to terminate all military assistance. The program effects would actually be minimal inasmuch as our MAP is already pretty dormant: we have suspended the flow of virtually all military hardware to Indonesia, and the Indos, on their part are postponing further plans for military training in the U.S. What State is proposing, then, is to remove the lingering ambiguity of our MAP relationship by formally terminating the works.

Defense (including McNamara) now argues that MAP in Indonesia should be kept on the books pending a full and candid discussion between our military people (Colonels Benson and Harvey) and General Nasution and Jani. There is no point, Defense says, in ending our most important Indo relationship because of pique over Sukarno's speech—at least not until we have a clearer view of where the present process of political upheaval in Indonesia will take our friends. (CIA agrees with Defense for reasons that involve significant intelligence activities.)

Komer and I strongly concur in the Defense position. It seems to me that as long as the domestic political heat here is not intense, there is a lot to be said for "creative ambiguity" in our relations with as freakish and unpredictable an animal as Indonesia.

An inter-agency meeting to review this question with Howard Jones is scheduled tomorrow morning under Bill Bundy's chairmanship.<sup>2</sup>

JCT Jr.

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<sup>2</sup> No other record of this meeting has been found, but in a memorandum to Komer, August 28, Thomson noted that "the guts of the matter—our approach to the military training program (pages 3 to 4, No. 2. [of the second attachment to Document 67]) is very deftly handled. This represents our victory at yesterday's meeting. (Johnson Library, National Security File, Country File, Indonesia, Vol. II, Cables and Memos, 5/64-8/64, [2 of 2])

**67. Memorandum From the President's Special Assistant for National Security Affairs (Bundy) to President Johnson<sup>1</sup>**

Washington, August 31, 1964.

**SUBJECT**

Assistance Programs for Indonesia

Attached memo from Rusk (McNamara concurs) gives joint State/AID/DOD recommendation that we *suspend certain remaining aid to Indonesia*, chiefly military, but continue a few minor projects (most civilian) in order to keep the door open. No new aid commitments are involved, and no public determination is needed.

We are on a sharp downward curve in US/Indo relations, largely because of the continued threat to "crush" Malaysia and our necessary opposition to it. Sukarno has now adopted a far more overtly anti-US line, which makes holding up further aid essential.

At the same time, the very fact that we're on a slippery slope makes it all the more important not to burn all our bridges to Indonesia: (1) with Vietnam and Laos already on our Southeast Asia plate, we can ill afford a major crisis with Indonesia too just now; (2) we ought to keep a few links, however tenuous, to the Indo military, still the chief hope of blocking a Communist takeover; (3) there's still a slim chance of Sukarno drawing back from a full-fledged push on Malaysia, and we want to keep dangling the prospect of renewed aid; and (4) we do not want to be the ones who trigger a major attack on U.S. investments there. So we urge you approve Rusk's proposals.<sup>2</sup>

**McG. B.**

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. II, Cables and Memos, 5/64–8/64, [2 of 2]. Secret.

<sup>2</sup> A check mark on the approval line indicates that the President approved. Bundy wrote the following note at the top of the memorandum: "tell Komer & State."

## Attachment

### Memorandum From Secretary of State Rusk to President Johnson<sup>3</sup>

Washington, August 30, 1964.

#### SUBJECT

Assistance Programs for Indonesia

#### *Action Recommendations<sup>4</sup>*

1. That you approve certain moderate negative decisions, specifically deferral of delivery of military assistance major communications equipment and suspension of deliveries of all military-type equipment for the Indonesian police and internal security forces.

2. That, with respect to the military training program, our Embassy explore whether the Indonesians are going to reduce or eliminate this, and work toward a quiet mutual agreement that will probably entail at least some reduction.

3. That you approve continuation of economic and technical assistance, civic action programs, and nonmilitary training and equipment for police and internal security forces, unless and until Indonesia itself moves to alter these.

#### *Discussion*

Sukarno's recognition of North Viet-Nam on August 10, his strongly anti-American anniversary speech of August 17, and the Indonesian landing of August 17 north of Singapore are adverse developments that should compel us to withhold major actions we might otherwise have taken under paragraph 1 above. At the same time we wish to avoid any drastic or highly publicized action that might lead Indonesia to cut off other assistance programs that we believe to be useful, or that might endanger important American private investments in Indonesia. The attached memorandum describes the situation and the proposed action in greater detail.

The Secretary of Defense concurs in these recommendations.

**Dean Rusk**

<sup>3</sup> The Department of State copy of this memorandum and its attachments indicate that they were drafted by William Bundy on August 29. (National Archives and Records Administration, RG 59, Central Files 1964-66, AID (US) INDON)

<sup>4</sup> The approval lines for all three recommendations are checked.

## Attachment

### SUBJECT

#### Assistance Programs for Indonesia

This memorandum provides the rationale for a number of decisions tending to reduce our assistance programs for Indonesia but seeking to retain the programs still regarded as useful. These decisions can be carried out without any formal determination under the Foreign Assistance Act, which we continue to believe should be avoided.

#### *Facts Bearing on the Situation*

1. Sukarno recognized North Viet-Nam on August 10. On August 17, Indonesia stepped up confrontation of Malaysia with a small (and apparently ineffectual) landing on the mainland north of Singapore. Most basically, Sukarno's August 17 anniversary speech was strongly and explicitly anti-American and placed Indonesia on the side of the Asian Communists in a series of issues. It represented the most systematic, although not the most strident, expression of our growing differences with Indonesia.

2. These Indonesian actions, as a matter of foreign policy alone, would make it wise to adjust our aid policy. The Indonesians have interpreted our statements of support for Malaysia as expressions of hostility towards Indonesia, and this has undoubtedly been one reason for their behavior. However, its roots go deeper, and the fact is that we are, at least for the time being, moving toward a different and lower level of relationships with Indonesia.

3. From the domestic standpoint, the Tower Amendment cutting off aid to Indonesia, with no Presidential discretion, will probably be dropped if and when the foreign aid bill goes to conference. We would not plan to disclose the present decisions to Congressional leaders as it now looks, but it might become useful to have the story available if it were required.

4. At the same time, we should seek to avoid drastic or highly publicized actions. These would tend to stimulate possibly violent Indonesian reactions that would go much further than we now wish to go in cutting off our aid programs, and more specifically, that would seriously endanger our major oil and rubber private investments in Indonesia. Basically, our programs are now largely at the point where they maintain valuable ties with key Indonesian groups but do not bolster Sukarno or his Malaysian policy. Moreover, despite his recent actions, Sukarno has not gone over to any sustained military offensive against Malaysia and there is still a possibility of a negotiated settlement probably through an Afro-Asian commission. Thus, we believe we can continue to sustain to Congressional leaders the argument that it is not

in our interest to make a Presidential determination one way or the other as to our aid programs as a whole.

*Aid Actions Proposed*

1. We can now take the following definitive negative actions:

a. Decide not to ship any further major military assistance equipment, at least for the present. Arms and ammunition had already been eliminated last fall, and the major pending item affected would be about \$8 million already funded to buy communications equipment for a basic army network connecting the major islands. This equipment would have been supplied under a longstanding commitment and would not have contributed to Indonesian capabilities in Borneo. We would now tell the Indonesians that delivery was being deferred, and—which is true—that we may well have a valid US operational requirement to ship it to Thailand instead. The shutdown would then be complete in this area except for about \$100,000 per quarter of spare parts for automotive and other equipment that we believe is playing no significant part in Borneo or other anti-Malaysian operations.

b. Decide not to ship any further military-type equipment and supplies to the National Police, including the Mobile Brigade. We have since October 1963 cut off arms and ammunition to these units also, but limited quantities of vehicles and communications equipment had remained in the program. These would now be completely withheld.

c. Decide not to furnish any further overhaul for the Indonesian C-130's purchased commercially under a license granted in 1960. We are now overhauling one C-130 in Georgia, and the effect of this decision would be to stop the overhaul program with the completion of this aircraft, with the result that the C-130's would become progressively useless. They are clearly relevant to Indonesian military capabilities against Malaysia, and the British have been particularly sensitive to our actions in this area.

d. Consider no new PL 480 Title I and Title IV commitments.

2. The military training program is a particularly sensitive problem and was singled out for attack in the Senate debate on the Tower Amendment. We have felt that it was an important link to the Indonesian military, and this long-term asset value is still considerable. On the other hand, there are strong signs that Indonesia is slowing down, if not stopping, the nomination of candidates for the coming year. We would propose to find out what the Indonesian reaction is to this problem and how they plan to handle it. If they are in fact shutting down or eliminating it, we would necessarily go along and let the program find its own level through quiet mutual agreement. At the same time, we would try to avoid any categorical "do you or don't you" approach to Sukarno himself or any senior civilian official since



to do so might invite wider Indonesian action affecting programs below that we wish to keep.

3. In addition to whatever military training would be preserved under paragraph 2, we would be continuing, and would wish to continue unless the Indonesians say otherwise, the following programs.

a. Non-military training and support for the Indonesian armed forces under the civic action program conducted by AID.

b. Continuation of the malaria eradication program, which is basically humanitarian and also affects the health of neighboring areas.

c. Continuation of technical assistance, non-military training, and supply of non-sensitive equipment for the National Police including the Mobile Brigade, to preserve US influence in this important power center.

d. Provision of instrument landing equipment for Djakarta's airfield, *provided that* Indonesia permits continued US flag use at the field. This is a valid form of assistance to international civilian air traffic. However, Indonesia would have to terminate the current union boycott of Pan American.

e. Civilian technical assistance and training programs at roughly current (and fairly extensive) levels.

f. Completion of existing Eximbank loans for thermal and fertilizer plants, and granting of a pending \$5 million credit for cotton purchases.

g. Continued *availability* of PL 480 Title I sales covered by the general existing 3-year commitment, *provided that* Indonesia can meet the criteria of normal market purchases and an acceptable exchange rate. In practice, there is no possibility of Indonesia meeting these conditions except—and even this is remote for the rest of the year—with respect to \$8 million of cotton.

h. Continue to negotiate terms of PL 480 local currency loan agreements under previous sales agreements, but delay signature pending further political appraisal; and Title II and Title III PL 480 assistance where it provides for humanitarian programs of disaster relief and voluntary agency programs for children and the needy.

i. Continuation of present gradual phasing out of air transport, maritime training, and navigational aid programs through AID. These are small in scale.

j. Continuation of Peace Corps activity.

**68. Telegram From the Department of State to the Embassy in the United Kingdom<sup>1</sup>**

Washington, September 2, 1964, 8:48 p.m.

1590. For Ambassador from Secretary. You will have seen another telegram about our reaction to Indonesian paratroop drop on Malaysia and our readiness to support Malaysia in the Security Council<sup>2</sup> but it is my impression that if the Malaysians come in with a strong case and good evidence, including such things as interrogation results, it will be hard for Security Council members to accept Indonesian action.

I am somewhat concerned about nature of British discussion of retaliation in the event that Security Council action is unsatisfactory. I am not now referring to Mountbatten's<sup>3</sup> suggestion of a small commando-type raid to capture some prisoners but rather Duncan Sandys' discussion of air strikes, etc. A cooling off period would make it more difficult to get support internationally for such retaliation. Further, Thorneycroft's<sup>4</sup> comment to Acheson<sup>5</sup> that British will wish to avoid anything that might escalate would seem to impose very severe limitations upon the nature of any such retaliation.

There is one point you should be very clear about in your discussions of such matters with British Ministers. We cannot give them a blank check and pick up the tab for escalation by the use of US forces without the fullest and most precise understanding between Heads of Government. If this is what they have in mind, they must not take anything for granted in an area where we have our hands full and with a minimum of allied participation. I would suppose that if the British are contemplating overt retaliation involving such things as air strikes or the shelling of shore installation in Indonesia that would necessarily mean the movement of substantial additional British forces into the area. Even though the Gulf of Tonkin is not a parallel to this particular problem, I remind you for use with British Ministers that the US immediately sent powerful reinforcements to the Far East to

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret; Immediate; Exdis. Drafted and approved by Rusk and cleared by Ball, William Bundy, and Cleveland.

<sup>2</sup> In telegram 200 to Kuala Lumpur, September 2, repeated to London, the Department suggested that, if the reports of Indonesia paratroopers landings in Johore and five sites on the west coast between Malacca and Singapore were confirmed, such action would meet the prerequisite of markedly stepped up hostilities necessary for a successful initiative by Malaysia with the UN Security Council. These actions were not the "ambiguous, desultory infiltrations in North Borneo" of the past. (Ibid.)

<sup>3</sup> Earl Mountbatten of Burma, Chief of the British Defense Staff.

<sup>4</sup> Peter Thorneycroft, British Minister of Defense.

<sup>5</sup> Dean Acheson, former Secretary of State, January 1949-January 1953.

deal with the consequences of any effort by Hanoi or Peiping to escalate. In other words, the US cannot accept the idea that the British handling of this problem is on the basis of a limited liability. They must back up their actions with a readiness on their part to meet the consequences. If they want us involved, they must find out whether that is possible and, again, take nothing for granted.<sup>6</sup>

**Rusk**

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<sup>6</sup> In telegram 1082 from London, September 3, Bruce reported that he talked to British Secretary of State for Commonwealth Affairs, Duncan Sandys, who appreciated U.S. support of Malaysia in the Security Council, did not expect a blank check from the United States, and was not thinking of retaliation unless there was another aggression by Indonesia. Sandys stated that even if there was retaliation, it would be limited. Sandys suggested that it was hardly necessary for the United States to warn him not to take the United States for granted since it always took Britain for granted. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA)

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#### **69. Memorandum From Robert W. Komer of the National Security Council Staff to President Johnson<sup>1</sup>**

Washington, September 3, 1964.

No need for more than a moment with Jones, unless you want to hear from our greatest Sukarno expert.<sup>2</sup> Chief purpose is so the Indos will know he's seen you before he returns to Djakarta (Sukarno reportedly complained that he used to hear from Kennedy all the time, but hasn't had any direct word from you).

The Indo-Malaysian affair is heating up. At UK urging, the Tunku is going to the SC for a condemnatory resolution. We've promised our

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. III, Memos, 9/64–2/65, [2 of 2]. Secret.

<sup>2</sup> In a memorandum to the President, September 2, McGeorge Bundy with Rusk's support urged that the President see Jones. Bundy stated, "Sukarno is unreliable and dangerous as he can be, but he is susceptible to personal Presidential influence and Jones will be able to do a stronger job for U.S. interests if "Sukarno has clear evidence that he comes from you and speaks for you." Bundy noted this was even more important because since President Kennedy's death, "Sukarno has persuaded himself that he had a close personal relationship with JFK." (Ibid., Memos to the President, McGeorge Bundy, Vol. 6, July–Sept. 1964) Johnson met with Jones and Komer from 6:45 to 6:52 p.m. on September 3. (Ibid., President's Daily Diary) No other record of this conversation has been found.

support. The British, however, also talk about *retaliatory action*. Here we're more dubious, since if this affair escalates we'll probably have to bail them out. We have enough wars already in Southeast Asia, so you might seek to cool Sukarno down via Jones:

1. He should impress on Sukarno that you cannot quite understand why the Indos have suddenly taken the tack they have. We've tried ever since Indonesia's independence in 1947 to be as helpful as we can. Indeed no country has done more.

2. Thus you were deeply disturbed by Sukarno's speech of August 17. He and other Indo leaders have told us for years that the ultimate threat to Indonesia was from China. So it's doubly hard for us to grasp why, at the very time when we're carrying the whole burden of protecting Southeast Asia from the Chicoms, Sukarno should seem to embrace the Chicoms and declare war on the US. Surely you said nothing when the Tunku was here comparable to Sukarno's outburst.

3. We tried in every quiet way to explain to Sukarno that he'd lose our support if he decided to beat up Malaysia. You personally sent the Attorney General to help promote a peaceful solution.

4. You still hope for a peaceful settlement. It is better to talk than fight. You also are just as anxious to have good relations with a key country like Indonesia and a key leader like Sukarno as was President Kennedy. But Sukarno must realize where we stand in event Malaysia is attacked.

**Bob Komer**

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**70. Telegram From the Department of State to the Embassy in the United Kingdom<sup>1</sup>**

Washington, September 4, 1964, 3:58 p.m.

1648. Following is text of message from FonSec Butler delivered to Secretary this morning:

"As you know, we have been urgently considering with the Malaysian Government how best they should react to the landing of Indonesian

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret; Immediate. Drafted by Ingraham, cleared in substance by Frank M. Tucker, Jr., of the Office of British Commonwealth Affairs, and approved by William Bundy.

parachutists in Johore. It was our conviction, which I am glad to say is now shared by the Tunku, that the first step must be to raise the matter urgently in the Security Council.<sup>2</sup> When this was discussed in the Malaysian Cabinet, however, a strong and understandable demand emerged that as a condition of Malaysia referring her difficulties to the Security Council we should give an assurance of our agreement in principle to take some kind of action against Indonesia on Indonesian soil.<sup>3</sup>

Since our major concern was to persuade Malaysia to go to the Security Council without delay, we had no option but to agree to some assurance, if not exactly on the lines requested, and the High Commissioner has accordingly informed the Tunku that the British Government agree in principle that any further act of aggression by Indonesia upon the territory of Malaya or Singapore (i.e. excluding confrontation operations in Borneo), should be met by a counter attack against some appropriate objective on Indonesian territory. He added that we consider it absolutely essential that, before any such counter attack is made, the Malaysian Government should take the matter to the Security Council and seek their moral support against Indonesian aggression, and went on to say that, having once raised the matter in the Security Council it would probably not be necessary to do so again in the event of a fresh act of aggression, when counter action could follow.

You will observe that although this message sets out in unequivocal terms our willingness and determination to defend Malaya and Singapore in the only practicable way open to us against further attacks of this kind, we have insisted on a reference to the Security Council first. We are not thinking about tactics for this debate and, as you know, our officials are in close touch."

**Rusk**

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<sup>2</sup> Komer wrote McGeorge Bundy a note on September 4 indicating that "in light of new Indo-Malaysian flap," there was "real merit in getting Jones back to Djakarta soonest, but perhaps with some strong words from here." Komer suggested that "the British sound just as hysterical as Sukarno," and he stated, "we can't stop UK and Malaysia going to SC if 30-man paradrop proves to be fact. Indeed SC would be a good safety valve to get Brits off talk of Tonkin Gulf-style retaliation." (Johnson Library, National Security File, Country File, Indonesia, Vol. II, Memos, 9/64-2/65)

<sup>3</sup> Also on September 4, Australian Ambassador Waller informed William Bundy and Cleveland of Malaysia's request for support of "armed defensive measures on Indonesian soil" in the event the action in the Security Council failed. Waller stated he was consulting the United States in view of the ANZUS treaty. Bundy stressed the need for close consultation, especially in light of the ANZUS relationship, but warned Waller that Australia should not assume that the United States would become involved if the escalation took place. (Circular telegram 441, September 4; National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA)

**71. Note From Robert W. Komer of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, September 4, 1964.

Mac—

Am keeping a close eye on likely UK/Malaysian countermoves to Indo para-drop. This affair could easily escalate. Brits, even Sandys, seem calmer but now Malays are all excited. Razak says (KL246)<sup>2</sup> that UK has "agreed" to Malay request for a retaliatory strike against an Indo base if Indos make another aggressive move.

Meanwhile *pattern of UK naval movements* looks like a most provocative show of force. First UK move through Sunda Strait was well *before* para-drop. Now we hear another carrier and seven destroyers just went through. Now Brits (who have 3 CVAs in FE) say their first squadron will return through Sunda straits on 12 September. The Indos are obviously at sixes and sevens, and we fear a Sukarno-type reaction any time. UNSC session is also likely to produce some Indo fireworks.

M. Green thinks Brits would like to provoke a nice mess, into which we'd necessarily be sucked. I too regard this as likely, though I grant alternative explanation that Brits think a show of force will deter Indos. If they're operating on latter assumption, however, I think they're wrong again. The reaction of a Nasser or Sukarno has always been to escalate rather than back down.

Key point is that we don't really know what Brits have in mind. Since our oil and other assets in Indonesia are inevitably at stake, we ought to buy a seat at this table. More important yet, how many wars do we want in SEA just now. FE is sending alarmed cables to London, but this isn't good enough. It may even be worth using LBJ to Home circuit, or at least Rusk to Butler. I've made this point, but you might reinforce.<sup>3</sup>

**RWK**

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Malaysia, Vol. III, Cables and Memos, 7/64-11/64. Secret.

<sup>2</sup> Telegram 246 from Kuala Lumpur, September 4. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDO-MALAYSIA)

<sup>3</sup> Komer added the following handwritten note above his initials: "Note to N.Y. 576 attached on tricky UN angles in which we might get involved this weekend or soon thereafter." (Telegram 576 to USUN, September 3; *ibid.*)

**72. Editorial Note**

On September 9, 1964, the National Security Council held its 542d meeting from 12:45 to 1:15 p.m. to discuss Cyprus and receive a "global briefing." President Johnson chaired the meeting, which was attended by Secretary Rusk and Under Secretary Ball for the Department of State, Secretary McNamara, Deputy Secretary Vance, General Wheeler, and Assistant Secretary of Defense McNaughton for the Department of Defense, McGeorge Bundy and Bromley Smith of the White House, Director McCone and Deputy Director for Intelligence Cline for the Central Intelligence Agency, Secretary of the Treasury Dillon, Director of the U.S. Information Agency Rowan, Director of the Agency for International Development Bell, and Director of the Office of Emergency Preparedness McDermott.

The President invited McCone to provide a global intelligence briefing which included a brief report on Indonesia. According to a memorandum of the record by Cline, McCone stated that the trend in Indonesia was adverse and he cited as evidence Sukarno's speech of August 17. Later in the meeting, Rusk reported that Ambassador Jones was returning to Indonesia "still hopeful of finding some way to mediate with Sukarno so as to let him escape from the Malaysia confrontation policy if he is willing to do so." Smith also made a record of the meeting which he stated that Rusk reported that Jones would have a "frank talk with Sukarno," and noted that Nasution was still in the Indonesia Cabinet. (Memorandum for the record by Cline, September 1; Central Intelligence Agency, DCI (McCone) Files: Job 80–B01285A, Meetings with the President, 1 May–31 Oct. 1964, and summary notes of the 542nd NSC meeting by Smith, September 1; Johnson Library, National Security File, NSC Meetings, Vol. 3, Tab 24)

### 73. Telegram From the Department of State to the Embassy in the United Kingdom<sup>1</sup>

Washington, September 11, 1964, 8:15 p.m.

1825. Following based on uncleared memorandum of Waller call on Secretary today. Subject to review and FYI only.

Waller delivered to Secretary message stating in effect that PM Menzies had said it would be calamity if British took action against Indonesia involving Australia on which US had not been consulted in advance, and therefore suggesting that US propose "combined military contingency consultations" to British, "believing as we do that proposal would not be rejected."

Waller stated that Australians had been talking very directly with British in London to ascertain what action they might have in mind in reference Malaysia, and that it seemed urgently necessary there be ways to find out and share British thinking, both with US and Australia, as well as New Zealand. At later point he made clear that American suggestion to British would be to "share our thinking" and did not envisage actual joint military planning.<sup>2</sup>

Secretary responded he saw no real danger, in light Indonesian actions and attitudes expressed in SC debate, that there would be any sharp public difference in attitude between US and other nations involved. However, he did think there could be grave difficulty if UK started something on assumption US would step in. We could not accept residual responsibility in situation where others had taken action on basis of limited liability. He had therefore been glad to see that British were taking reinforcing steps in Far East, and, although he would not say so publicly, we in fact approved withdrawal of some UK troops from NATO for this purpose.

Waller responded that ANZUS Treaty in fact did commit US to measure of residual liability where Australian and New Zealand forces were involved.

Secretary answered this was not what he meant by residual responsibility—our respective obligations under ANZUS Treaty were the same

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret; Exdis. Drafted and cleared by William Bundy. Also sent to Canberra and Wellington and repeated to CINCPAC.

<sup>2</sup> In telegram 1837 to London, September 12, the Department reported to the Embassy that the British Embassy had informed the Department that the British Far East command had produced a tentative list of seven potential targets for retaliation based on four criteria. Those criteria were that the target must be related to the Indonesia attack, must be militarily useful, would produce minimum casualties, and be least likely to produce escalation. (Ibid.)



and we had need to consider under treaty just what Australians had done to carry out their obligations. As an example of what he meant by "residual" responsibility, Secretary cited Dutch attempt have us commit our forces in West New Guinea dispute even though Dutch themselves were not prepared send additional forces. He also alluded to Congo case, where Spaak's effort enlist participation of six Common Market nations had met with "colossal indifference." He said US simply could not accept such situations where others did not take strong measures to carry out their share of responsibility. He said this was his main point and that it must be clearly understood by Australians and others.

Secretary then noted that conflict with Indonesia could become major shooting war, and that we for our part, once serious shooting started in such case, would consider it necessary to make substantial deployments and possibly even mobilization. Waller thought it unlikely Indonesian situation would reach point of major conflict, but did believe it possible that more "acts of folly" on Indonesian side could lead to degree escalation that would involve Australians and thus bring into question US involvement.

Secretary then referred to message just received from London that Peck of British FonOff was proposing early conference between US, UK, Australia, and New Zealand, and that Peck had specifically suggested Bundy's visit to London next week might be appropriate occasion for this. Bundy noted his schedule would bring him to London Friday, 18th, but might conceivably be advanced to Thurs, 17th, and this might be good timing. He threw out suggestion any such talks should be held only on basis no publicity whatever and in lowest possible key.<sup>3</sup> We were in fact in position where British had primary action responsibility and we in US were being more nearly informed than consulted, although Australians were perhaps nearer to being consulted than informed and—as Waller noted—had clear obligation consult us before any action involving their forces. Bundy noted danger that any publicized consultation might both have undesirable effect on Sukarno and, perhaps even more serious, appear to bind participants to whatever British might then decide to do, whether or not others had in fact agreed to it.

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<sup>3</sup> In telegram 1909 to London, September 15, the Department indicated that "any identifiable four-power meeting" by Bundy during his London visit would inevitably lead to distorted leaks and would associate the United States with subsequent British action. Instead Bundy should meet with British Foreign Office officials and then have a "quiet drink" with Australian and New Zealand representatives. (Ibid.) Reports of Bundy's meetings in London are in telegrams 1308 and 1309 from London, both September 18, and memoranda of conversation are in airgram A-721 from London, September 24. (Ibid.) See also Document 77.

Secretary noted that apart from any such specific consultation, there was continuing problem of obtaining adequate information on British thinking about additional military moves. He said we had in mind assigning appropriate Embassy officer in London to this function and that this might be worked out at same time, or perhaps even prior to any actual meeting.

It was left that US side would consider further just how to take up Australian suggestion, but that we recognized need for machinery that would give us clear understanding of British thinking but that would not involve actual participation in anything like joint military planning.

Request addressee comments.

**Rusk**

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#### **74. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, September 12, 1964, 2:36 p.m.

278. Department believes Sukarno position reported your 518<sup>2</sup> indicates he unable or unwilling recognize that existing situation is different from and far more serious than situation before Indos put forces into Malaya and publicly boasted they had done so. In Bogor meeting with Sukarno or soonest thereafter you should make following points, stating you doing so on instruction if you think this desirable:

1) By using force against Malaya, boasting about it and anticipating that they would continue (as Sudjarwo had done in SC) Indos have created new situation which they must recognize as such.

2) Sukarno must be aware that GOM and HMG cannot indefinitely tolerate Indo military action against Malaysia and that Indo actions, if continued, may lead to situation where Sukarno finds himself in real hostilities with Commonwealth. If this happens, given history of situa-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret; Immediate; Limdis. Drafted by Cuthell, cleared by William Bundy and Tyler, and approved by Harriman. Repeated to Kuala Lumpur, London, Canberra, Wellington, and CINCPAC for POLAD.

<sup>2</sup> In telegram 518, September 11, Jones reported that Sukarno told him that he wanted a peaceful settlement to Malaysia dispute and would seek to revive quadripartite commission proposal and would again pledge publicly to agree to accept whatever recommendations it made. Sukarno also expressed a willingness to attend another summit if it would be useful. (Ibid., POL 15-1 INDON)

tion, he cannot expect USG to help him. (FYI: If you think Sukarno believes we can or will restrain British, he should be disabused of any such idea. End FYI.)

3) We are glad he is willing resume negotiations, but believe it totally unrealistic expect GOM will be willing or able negotiate in present atmosphere. First essential is that Indos stop military action, and we cannot work to encourage further negotiation until this happens.

4) On other hand, if Sukarno genuinely wants to settle this issue peacefully he must find way to stop military action. If he does so, we will be glad to resume our previous policy of encouraging solution through negotiation.<sup>3</sup>

**Rusk**

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<sup>3</sup> In telegram 542 from Djakarta, September 15, Jones reported that Subandrio told him that there would be no further escalation, there were no plans for additional para-trooper drops, and "it's up to the British." (Ibid., POL 32-1 INDON-MALAYSIA) In telegram 549, September 16, Jones reported that Sukarno informed him that, "unless the British start something," Indonesia had no plans for further military action, and there would be no action against American persons or property during his forthcoming East European trip. (Ibid.)

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## **75. Special National Intelligence Estimate<sup>1</sup>**

SNIE 54/55-64

Washington, September 16, 1964.

### **SHORT-TERM PROSPECTS IN THE MALAYSIA/INDONESIA CONFLICT<sup>2</sup>**

#### **The Problem**

To estimate Indonesian objectives in the Malaysia/Indonesia conflict and the likelihood of hostilities between Indonesia and the UK.

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<sup>1</sup> Source: Department of State, INR/EAP Files: Lot 90 D 165. Secret. Prepared by the Central Intelligence Agency and the intelligence organizations of the Departments of State and Defense, and the NSA. The U.S. Intelligence Board concurred on September 16 except the representatives of AEC and FBI who abstained on the grounds that the topic was outside their jurisdiction.

<sup>2</sup> For more detailed consideration, see: NIE 54/55-63: "The Malaysian-Indonesian Conflict," dated 30 October 1963; and NIE 55/-64 "Prospects for Indonesia," dated 22 July 1964. [Footnote in the source text. For text of NIE 55/64, see Document 56; and regarding NIE 54/55-63, see footnote 2 thereto.]

## Discussion

1. *Indonesian Objectives.* Recent Indonesian paramilitary landings in Malaya are part of Sukarno's long-range campaign to break up Malaysia and oust the British from their military bases there. The mission of the 150 or so infiltrators includes sabotage and terrorism, guerrilla recruitment and training, and the setting up of guerrilla redoubts in Malaya's jungles and highlands. Such raids will almost certainly continue. In the long run, through repeated infiltrations of this sort, Sukarno hopes to build up a revolutionary potential sufficient to overthrow the moderate, pro-Western government of Tunku Abdul Rahman.

2. In the short run, the infiltrations are designed to heighten local insecurity, shake the faith of the Malaysian people in their government, weaken their determination to resist Indonesia, and thus to increase the pressures on the Tunku to negotiate the dispute on Indonesian terms. Sukarno hopes that by forcing the UK and its Commonwealth allies to spread their available forces ever more thinly he will wear down their ability and determination to carry on the struggle. He also seeks to undermine Malaysian confidence in the British will and ability to provide protection.

3. *The British Response.* Commonwealth forces have responded to the Indonesian moves defensively, attempting to round up the infiltrators; about one-half have been killed or captured to date. Both the UK and Australia are deploying additional army, navy, and air units to the general area. The Malaysians and British have also taken the issue to the UN Security Council, seeking condemnation of Indonesia, but it is unlikely that the UN will act so as to satisfy them or prevent further Indonesian infiltrations. The British are now planning retaliation against any further infiltrations by attacks on the bases from which they are launched. The British are concerned that failure to respond forcefully to the landings in Malaya will only encourage the Indonesians to expand their paramilitary activities. They see the alternatives as either a sharp retaliatory blow or a constantly rising insurgency and unrest in Malaya.

4. It is probable that further Indonesian infiltrations of Malaya or Singapore will precipitate a British retaliatory attack against nearby Indonesian guerrilla bases. The Indonesians would react to such an attack with vehement denunciations, seeking to establish justification for their position—perhaps even in the UN—that the “aggressive” British constitute the real threat to peace in the area. For a time, they would probably be somewhat more cautious in paramilitary operations in Malaya. They would want to show, however, that retaliation had not affected their confrontation policy, and they would not, in our opinion, slow down insurgency operations in Borneo or discontinue them entirely in Malaya. On balance, we believe, however, that they

would probably avoid an overt military response in kind against Malaysia, for fear of triggering a war with the UK which they have long sought to avoid and in which they would suffer great damage. However, what Indonesia would do in this case depends upon the will of one man, Sukarno; we cannot be sure that he would not decide that, in the circumstances, raising the pitch of the war would be to his advantage.

5. Should there be an escalation of overt hostilities between Indonesia and UK/Malaysia, the Soviets and the Chinese Communists would of course support Indonesia with extensive propaganda and diplomatic activity. We think it virtually certain, however, that neither power would intervene with military force.

6. *The Sunda Strait.* The situation was complicated for a time by the passage of a British naval task force southward through the Sunda Strait (between Java and Sumatra) on 27 August without providing the type of prior notification which has long been requested by Indonesia with regard to movement of warships through waters it claims to be territorial. The UK, Australia, and the US normally comply with this procedure "as a courtesy." The same British force—the aircraft carrier *Victorious* and two destroyers—was tentatively scheduled to retransit the Strait northbound, and the Indonesians threatened to oppose its movement with armed force. The Indonesians, however, informed the British that the Sunda Strait area would be closed from 10 September to 10 October for their own "naval maneuvers," and they indicated they would not object if the British proceeded by the Lombok Strait (east of Java, between Bali and Lombok). This the British agreed to do and the threatened crisis subsided. The issue has not been settled, however, and it is almost certain to be revived, since the Indonesian objective clearly is to establish the principle of Indonesian control of all waters within and leading into the Indonesian archipelago.

## 76. Memorandum Prepared in the Central Intelligence Agency for the Department of State<sup>1</sup>

Washington, September 18, 1964.

### PROSPECTS FOR COVERT ACTION

The deterioration in US/Indonesian relations reported in recent Embassy Telegrams (particularly Embtel 317,<sup>2</sup> 320,<sup>3</sup> and 359<sup>4</sup>) evokes a question as to the feasibility of initiating a program of covert action aimed at affecting the current trend of events. In this context the following paragraphs outline a series of action possibilities, together with an analysis of certain problems entailed in their planning and implementation. If in its essence this presentation meets with your approval, it may then appropriately be sent to the Department and the CAS headquarters for further consideration and, hopefully, endorsement.

#### *The Situation*

1. During the past two months there has been a steady increasing strain in relations between Indonesia and the U.S. The Indonesian attitude has crystalized in the face of a number of recent developments. These include repeated indications of unilateral withdrawal by the U.S. of our remaining aid program, culminating of course in the passage of the Tower Amendment;<sup>5</sup> the communiqué released by President Johnson and Tunku Abdul Rachman<sup>6</sup> which the Indonesians have construed as representing U.S. support for Malaysia; and finally the Tonkin Gulf episode.

2. In his 17 August speech Sukarno<sup>7</sup> in effect declared the U.S. to be public enemy number one in Asia, and identified himself more explicitly than ever before with the Communist Bloc. Internally the trend to the left has matched Sukarno's international posture. By calling for the re-tooling of "reactionary" officials up to the Menko level, the President virtually invited the PKI to advocate re-tooling of all anti-

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<sup>1</sup> Source: Department of State, INR/IL Historical Files, Indonesia, 1963-1965. Secret. This paper, originally CIA telegram [*text not declassified*], September 5, was sent to the Department of State under cover of a memorandum, FE 716, from Colby to Bundy, September 18.

<sup>2</sup> See footnote 2, Document 62.

<sup>3</sup> Dated August 17. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 15-1 INDON)

<sup>4</sup> Document 63.

<sup>5</sup> See footnote 4, Document 59.

<sup>6</sup> For text, see *American Foreign Policy: Current Documents*, 1964, pp. 899-900.

<sup>7</sup> See footnote 2, Document 59.

Communists in the government. While announcing that he would dissolve any reactionary political party, he has at the same time given tacit approval for the PKI's unilateral action campaign. In his speech Sukarno endorsed emphatically the land reform program and the establishment of the land reform courts, which for all practical purposes will be controlled by the PKI thru Astrawinata. He not only proclaimed the ultimate end of "imperialist capital" in Indonesia, a primary objective of the PKI, but declared also that anyone who opposes Nasakom opposes the revolution. Although in his latest cabinet reshuffle (27 August) Sukarno did not go all the way toward Nasakomization, there can be no question that he went a step further in legitimizing the PKI's role in the executive branch of his government. These developments have of course been matched by repeated slaps at the U.S., including the postponement of military and police training, the Pan American boycott, the action against USIS in Djogdjakarta, and the general threat to American property.

3. Notwithstanding this rather grim picture, there are indications that the situation is by no means beyond redress. Words of encouragement continue to be received by various components of the U.S. Mission from close contacts, sources of information, and friends in general. There are good men in government, the armed services and the private sector, who are willing to work for the things they believe in, even if it means endangering their livelihood and personal security. *[less than 1 line of source text not declassified]* continues to find it possible to work effectively with such individuals, and their motivation is by no means confined to the pursuit of money. Among them some have already demonstrated a capability for limited but effective clandestine political action. There have been, moreover, numerous approaches to the Embassy and to other Mission components by individuals—some self-seekers, but others altruistically motivated—who seek assistance to enable them to fight communism in Indonesia.

4. Time, however, is not on the side of these people, as the ground beneath them is being eroded at a rapidly accelerating rate. Perhaps it cannot be stopped. Certainly a covert program alone cannot reverse the trend. The Embassy, in its recommendations to the Department, has posed a number of considerations, which are in effect aimed at maintaining a foothold in Indonesia under conditions that might enable us to outlast Sukarno. Within the context of the basic mission program and as a supplement thereto, *[less than 1 line of source text not declassified]* proposes an intensified covert action program, limited in its objective initially, but designed for expansion if circumstances permit.

5. The objectives of a covert program would entail initially the adoption of an active interest in Indonesian internal political developments. The immediate goal would be to build up strength among

non-communist and anti-communist groups and organizations. The program would be two-pronged, on the one hand designed to flex the muscles of the "good" elements, at the same time encouraging direct action against the PKI as a party. Small scale harassment efforts would be orchestrated and momentum developed. A case can be made to show that Sukarno is susceptible to pressure and sensitive to certain types of public opinion. The unfortunate thing is that the Indonesian right wing has in effect lost its nerve and abandoned the fight to the communists. The PKI has exploited the situation and brainwashed both Sukarno and a large portion of the population. It is necessary therefore to demonstrate to Sukarno the existence of an active anti-communist sector which is clearly not yet willing to be written off.

[Here follow paragraphs 6–14, which contain an outline of a five-phased program and an assessment of *[text not declassified]*.]

15. Present U.S. policy toward Indonesia has been essentially constructive and forward-looking, predicated on the concept of contributing to Indonesia's economic development. In the face of an increasingly leftward drift on the part of the GOI, matched by an increasingly stronger communist voice in Indonesian affairs, we have sought to maintain our equity here until the advent of better times. Within this framework the *[less than 1 line of source text not declassified]* covert action program has been limited. Modest efforts have been made to develop points of contact and influence *[1 line of source text not declassified]*. There has been moderate emphasis on the development *[less than 1 line of source text not declassified]* among potential leader types. And finally, the program has entailed limited harassment of the PKI. There has, of course, been no authorization for direct attacks on Sukarno. The level of permissible risk-taking has naturally been very low and confined almost entirely to the realm of intelligence collection.

16. Certain of the activities suggested in paragraphs 5–11 above could be undertaken in the framework of the existing policy. If, however, a serious effort were to be undertaken along such lines, a number of significant questions would first have to be weighed very carefully. It would have to be understood at the outset that the purpose of the entire exercise is agitation and the instigation of internal strife between communist and non-communist elements. While the pattern of activity proposed is relatively modest in scope, the measure of the success of the program would in effect be the momentum it acquired. This would mean a widening of its scope and an intensification of its pace. Thus even a modest beginning effort would carry within itself the essence of more critical policy questions. Just how far can we go in attempting to split the PKI and, more important, to pit the PKI against non-communist elements, particularly the Army? To what extent, if any, should we attack Sukarno? Is it unthinkable to foment internal tensions such as



gave rise to the Chinese riots of last year, and which under certain conditions might force the Army to assume broad powers in restoring order? We do not wish to appear overly ambitious in this connection. If, however, we are to develop a program entailing forms of *[less than 1 line of source text not declassified]* as a supplement to long-term political development, it is imperative that we know where we are going and that we be able to weigh the possible consequences of our efforts. The time to answer these questions is now, not later. To undertake action even on the modest scale outlined above without first studying these questions and commitments they might entail would result in action for its own sake. It would be far better to stand pat, without the risk of embarrassment or hazard *[less than 1 line of source text not declassified]*.

17. If there appears to be an element of incompatibility in such a melding of destructive action with long-term efforts to breathe life into the nobler elements of Indonesian society, we can only argue that in the long term there may be little left here to save. The current combination of Sukarno's tough dictatorship coupled with an increasingly effective brainwashing of all local population elements, plus the skilled PKI exploitation of legitimate Indonesian nationalism, and lastly the inbred Javanese tradition of acquiescence before authority, will surely result in elimination of the remaining barriers between communists in this country and those who would resist them.

18. Perhaps the most important of all, we believe it essential to make a substantial effort to combat growing PKI domination in the propaganda field (press, radio and TV). Inasmuch as the current PKI propaganda line and that of the Sukarno regime are virtually indistinguishable, this would entail an obvious risk. We believe this risk must be taken.

**77. Memorandum of Conversation<sup>1</sup>**

Washington, September 28, 1964.

**SUBJECT**

Military Contingency Talk in London on Indonesia

**PARTICIPANTS**

Mr. Michael Stewart, Minister-Counselor, British Embassy

Mr. Oliver Forster, First Secretary, British Embassy

Mr. William P. Bundy, Assistant Secretary of State for Far Eastern Affairs

Mr. Marshall Green, Deputy Assistant Secretary of State for Far Eastern Affairs

Mr. David C. Cuthell, Director of the Office of Southwest Pacific Affairs

Mr. Thomas F. Conlon, FE/SPA

*Discussions in London.* Mr. Bundy reviewed the recent discussions he had held in London with United Kingdom, Australian, and New Zealand representatives on military contingency planning in the event of further Indonesian landings of paratroops or seaborne infiltrators in mainland Malaya and Singapore.

Mr. Bundy noted that there had been general agreement among the participants in the London discussions to hold meetings as often as necessary in Washington in the interests of preserving the inconspicuous character of contacts on this subject. We understand that Prime Minister Douglas Home is continuing his exchange of views with Australian Prime Minister Menzies and New Zealand Prime Minister Holyoake on the whole subject of possible action against Indonesia and that these exchanges have not been completed. Mr. Stewart noted that the instructions sent out by the British Government to Lord Head in Singapore were based on a distinction between the initial phase of response to further Indonesian landings, when British and Malaysian forces would take action against Indonesian intruders, and a secondary phase, when Australian and New Zealand units would be required. Mr. Bundy added that he understood plans for British retaliation against Indonesia were also divided into two phases: first, attacks would be directed against selected, nearby bases for infiltrators and, secondly, in the event of Indonesian air strikes against Butterworth or Singapore, for example, against Indonesian air bases from which the attacking aircraft fly. The British military, he continued, told him they have made a careful evaluation of Indonesian offensive action with the resources presently available in Malaysia. Mr. Bundy concluded that he had told the Foreign Office that he thought the British plans were not unreasonable.

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<sup>1</sup>Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 27 INDON. Drafted by Conlon. Secret.

*Internal Situation in Indonesia.* Mr. Bundy went on to review the situation in Indonesia as we see it. We think we see at least temporary indications that Sukarno is trying to restrain the Indonesian Communist Party (PKI). Admittedly, we have thought we saw such signs before, but this proved illusory. However, there are some recent indications that the Indonesians realize how close they came to a showdown. Mr. Cuthell said we believe there have been two recent developments of particular importance which encourage the Indonesian Government to adopt a more peaceful stance. The Indonesians were disagreeably surprised by the results of the recent vote in the Security Council, where two African countries (Morocco and Ivory Coast) voted against them. Since the vote Morocco and Ceylon and perhaps other Afro-Asians have told the Indonesians that they cannot agree with the Indonesian contention that Indonesia has a right to attack its neighbors, and Prime Minister Shastri of India has stated much the same thing publicly. We also suspect that the Soviets have had some hard words to say to the Indonesians since the Soviet veto of the Norwegian resolution in the Security Council cut right across current Soviet efforts to condemn the use of military force to settle disputes between nations. Internally, the PKI has been forcing the pace on the Indonesian Government, and this was bringing out a reaction in various forms. In addition, what amounts to martial law has been proclaimed throughout the country, giving the Army authority to hold down strikes and demonstrations. However, we won't know until Sukarno returns from his current trip what his reading of the situation will be or what the Soviet price will be for further support of Indonesia.

Mr. Stewart left a copy of an analysis of the situation prepared by the British Embassy in Djakarta September 23.<sup>2</sup> The Embassy concluded that Sukarno is undecided about the path to take and is groping his way, acutely worried that he may have to make an irrevocable decision one way or another in the near future.

Mr. Bundy doubted that Sukarno would get anything substantial from his visit to Moscow. The Soviets do not appear ready to move into Southeast Asia in strength, and Sukarno has nothing much to offer them in return. In any case, the argument for positioning Commonwealth forces to deal firmly with further Indonesian incursions into mainland Malaya and Singapore remains untouched, and the existence of these forces in place has had a salutary effect on the Indonesians.

*Reascertainment in Malaysian Borneo.* Mr. Bundy said that Mr. Peck of the Foreign Office had told him in London that the British have carefully examined the idea reportedly floated by Sukarno that a plebi-

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<sup>2</sup> Not found attached.

scite on the formation of Malaysia might be held in Borneo in the next five years. The British have concluded that this would amount to holding a Sword of Damocles over the Tunku. The situation was not like that in West Irian, where the Indonesians are committed to a referendum before 1969, but where they can manage political activity on the referendum issue. In a more open society like Malaysia the Tunku could not exert the same kind of control.

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**78. Circular Telegram From the Department of State to Certain Posts<sup>1</sup>**

Washington, October 22, 1964, 6:56 p.m.

714. Hong Kong for Ambassadors Jones, Bell and Blair.<sup>2</sup> Our basic objectives with regard Indonesia continue to be to do what we can to keep Indonesia out of communist control, to restrain Indo military and foreign policy excesses so that they do not lead to second major military conflict in SEA, and to get through current period (probably meaning Sukarno regime at least) without open break between US and Indonesia. Over past year tactics employed to do these things have been based on assumption main current problem—Indo-Malaysia dispute—could be negotiated out if right combination found, and we have played active role in encouraging participants and interested Asians to seek negotiating basis. We feel this tactical approach correct. Meanwhile, however, adverse direction Indonesian policies have become more clearly defined, requiring review of our approach. Following is summary of our assessment of situation we now face:

*Perspective*

For past seven years or more, Sukarno has habitually used hostility to one or another foreign power as dramatic issue to unify country under his rule. His own ideological makeup and historical circumstances have made it inevitable that target has in virtually all cases been Western or pro-Western power (UK, Malaysia, Netherlands, GRC,

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 1 INDON. Secret. Drafted by Ingraham and Cuthell; cleared by Evelyn S. Colbert, Chief of the Southeast Asia Division, Office of Research and Analysis for Far East, INR, and Harriman; and approved by Bundy. Sent to Djakarta, Kuala Lumpur, Manila, Bangkok, Tokyo, London, Canberra, Wellington, CINCPAC for POLAD, and Hong Kong.

<sup>2</sup> The Ambassadors were in Hong Kong for discussions on Malaysia.

etc.). This strategy, together with internal balancing and manipulation rival forces, has become basic tool in maintaining his regime. Thus when West Irian settlement eliminated Indo's last real grievance against West, GOI flirted briefly with idea of economic development as next dramatic issue before dropping it for confrontation. One result of this strategy has been deepening atmosphere hostility to West throughout much of Indo society; friendly Indos may attempt explain it away as passing phase, but fact remains present Indo environment probably more hostile to West than almost any outside China and its satellites.

Military confrontation of Malaysia has gone through various stages—guerrilla activity in Borneo, negotiations, low-level terrorism on mainland, culminating in Aug–Sept 1964 attacks on mainland—but each has proved more or less dramatically unsuccessful. As of early Sept, GOI faced two crucial problems: (a) they had brought selves to what they saw as brink of open war with UK, which they knew they could not win, and (b) they recognized that despite year of proclaiming their determination to crush Malaysia they had accomplished almost nothing toward that end. In effort find way out of this dilemma, Sukarno sought to mobilize support in Moscow and among AA's at Cairo for development Sukarno-led neutralist anti-imperialist front. Consensus seemed to be that he failed, but it too early to be sure of this.

#### *Current Situation*

We have assumed that, when Indos recognized they could not crush Malaysia without unacceptable damage to selves, they would be willing accept tolerable settlement through face-saving device and then turn to other dramatic issue to keep populace keyed up. Have been hopes that this could be internal issue for a change, perhaps even economic development.

Latest developments suggest this assumption may have become erroneous. Rather than cutting losses and turning elsewhere, Indos seem to have decided on (or perhaps drifted into) new confrontation strategy, switching from narrow confrontation of Malaysia to more diffuse political confrontation of entire West (i.e., Old Established Forces). Sukarno Aug 17 speech clearly signaled this switch and Cairo conference<sup>3</sup> seems to have formalized it. Indos would expect realize number of advantages from this strategy:

(1) It overshadows Malaysia confrontation and should relieve regime of need to escalate military confrontation to point where it again brings grave threat British retaliation. Malaysia confrontation would continue as essential element this broader confrontation but could be carried out through propaganda, subversion and relatively safe Borneo guerrilla campaigns.

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<sup>3</sup> The Cairo Conference of Non-Aligned Nations, October 5–10, 1964.

(2) It moves Indo into much greater prominence in world scene, feeds regime's self-esteem and provides much more satisfying dramatic issue than increasingly tired theme of Malaysia confrontation. At same time, it blunts widespread AA disapproval of rash Indo assault on fellow AA member by subordinating it to political assault on white man.

(3) It could even be manipulated into a "third force," bringing together in an Indo-dominated bloc various AA mavericks (Ghana, Cambodia, etc.) plus North Korea and North Viet-Nam, thereby breaking Indo isolation and giving Sukarno real place in sun.

(4) At least in early stages, this strategy should be welcome to Chicoms and should provide some comfort for Russians as they see threat open war recede. Rewards could probably be extracted from both.

Recent developments such as crackdown on PKI anti-US excesses and peace feelers to Tunku and British might be cited as evidence to contrary. This does not appear persuasive. Easing of anti-US excesses more likely stems from (a) GOI fear PKI getting out of hand and (b) desire not to challenge US too directly over relatively trivial issues at this early stage in new game. Noteworthy that, while physical pressure on US properties in Indo is abating somewhat, intense anti-US brainwashing through all Indo information media apparently is continuing in full force. Re peace feelers, demonstration of continued Indo desire for peaceful settlement with Malaysia also compatible with new strategy in that it improves Indo world image and helps woo AA's.

### *Implications*

If this assessment generally correct, we can anticipate following:

(1) Indos will become progressively more hostile to US as chief of "Neokolim Oldefos" and to US interests both in SEA and throughout world, whatever policy we may pursue toward them.

(2) Not wanting to unite Oldefos against them while they unite against us, they may differentiate carefully in their treatment of various Western countries, may increase fire on US in addition to UK while handling Australians more gently and striving maintain fairly cordial (and profitable) relations with Europeans, Japanese and perhaps Philippines as long as they can.

(3) While Sukarno will continue assert his willingness settle with Malaysians in AA context and may well go through negotiation motions to create peace-loving image, his real need for settlement will have disappeared. Further Indo participation in negotiations will thus be no more than shadow play as far as GOI concerned. No real settlement short of complete Malaysian capitulation will be seriously considered.

Foregoing does not imply that this new Indo strategy we see emerging will be immutable or necessarily permanent. Indo policy has been subject to wide variations over past 15 years and undoubtedly will change again when combination of internal pressures, outside pressures and rewards produce Indo reassessments. We see this merely as current Indo strategy, to be pursued as were past strategies until failure or changing circumstances call for new one.

Dept views on US tactics necessary to meet this new Indo strategy will be subject separate cable.<sup>4</sup>

Rusk

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<sup>4</sup> See Document 79.

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**79. Circular Telegram From the Department of State to  
Certain Posts<sup>1</sup>**

Washington, October 22, 1964, 6:56 p.m.

715. Hong Kong for Ambassadors Jones, Bell and Blair. In context of assessment Indonesian position contained Depcirtel 714<sup>2</sup> Malaysian problem becomes one aspect of broader problem of Indonesian hostility towards Western presence and influence in Southeast Asia. Until this basic Indonesian policy changes, Malaysia problem is essentially without "solution," i.e. re-establishment friendly relations, status quo ante, or even peaceful co-existence.

Past negotiations have failed because of absence agreement between GOI and GOM on nature of their difference. For Indonesia, manner of Malaysia's formation, its internal political and social structure, and its relations with UK are completely unacceptable. Malaysia is therefore given Hobson's choice of negotiating its own dissolution or suffering it at hands Indonesian "volunteers." Malaysia, for its part, is prepared to negotiate when Indonesia in fact recognizes its political independence and territorial integrity. This however, as Indonesia has repeatedly and explicitly proclaimed, is basic point at issue.

Under these circumstances, negotiations, "peace feelers", become primarily if not solely maneuver to gain tactical advantage and place opponent in bad light in eyes of world, particularly Asian-African world. Third parties are drawn in to bring pressure on enemy to yield bargaining points in interest "peaceful solution to problem."

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Secret. Drafted by Underhill, cleared by Cuthell and Harriman, and approved by Bundy. Sent to Djakarta, Tokyo, Kuala Lumpur, Hong Kong, Manila, Bangkok, Canberra, Wellington, London, and CINCPAC for POLAD.

<sup>2</sup> Document 78.

Recognizing that "solution" is for present impossible, it is still clearly in our interest to divert confrontation away from dangerous military course and channel it into "negotiations" or, more realistically, contacts, to maximum extent possible. This can be done, however, only against background credible British military deterrent confronting Indonesia with unacceptable consequences of again intensifying military confrontation.

For present following considerations bear on role and tactics of U.S. in this problem:

1. Malaysian situation now surrounded with unusually difficult range of uncertainties: a new British government; interrelation of GOI and new Soviet leadership; an internal political situation in Indonesia where struggle for power between Subandrio and Saleh, and probably others, may be entering new phase and manifesting itself in divergent and uncoordinated approaches to Malaysian problem.

2. We must not sponsor initiatives which Indos can manipulate to their advantage, or urge on Malaysia and UK damaging concessions which GOI can treat as irrevocable commitments and a base from which further concessions are exacted.

3. On other hand, we should encourage HMG and GOM to keep door open to Indo approaches and to be as apparently responsive as is necessary to keep some form of dialogue going in order avoid having Indos feel they frozen into position where only exit from situation is military.

4. We should continue to stress to HMG importance of strong military posture in area, and necessity that GOI be left in no doubt on UK-GOM ability and willingness meet higher levels military activity.

In view foregoing we believe following best course for U.S. at this point:

*For Djakarta:* You should continue line with Subandrio reported Embtel 734<sup>3</sup> that we pleased Indos have ended military attacks against Malaysia, that we are aware of number of Indonesian approaches to UK and GOM, that we understand that responses have not been unfavorable, and that we hope GOI will follow up with specific proposals. Despite mistreatment U.S. is receiving in Indonesia, we continue regard Indonesia as long-term friend and would like to help GOI move itself out of precarious situation in which it now is. For present, however, we see no useful role USG might play.

*For Tokyo:* In reply to Oda (Embtel 1371)<sup>4</sup> suggest you summarize approach we intend take in Djakarta, indicating it would be most effective if GOI heard same general line from GOJ, speaking as major Asian power.

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<sup>3</sup> Dated October 20. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA)

<sup>4</sup> Not found.



*For Kuala Lumpur:* You should suggest to GOM vital importance of coming to grips with this Indonesian diplomatic offensive, and meeting it with considerable propaganda assets at its disposal. You should also reiterate our view of damaging effect of public supercilious and deprecatory dismissal of Indonesian peace feelers. Recommend you also discuss with your Australian and British colleagues Lee Kuan Yew's proposal for early Borneo plebiscite. We will discuss with GOA and HMG Embassies here.

**Rusk**

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**80. Telegram From the Consulate in Hong Kong to the Department of State<sup>1</sup>**

Hong Kong, October 25, 1964, 1 p.m.

541. Refs: Depcirtels 714, 715.<sup>2</sup> From Ambs. Jones, Bell and Blair. We agree with broad outline policy Depcirtel 715. Amb. Jones will comment separately on Dept's analysis situation within Indonesia (Depcirtel 714).<sup>3</sup> We are in agreement on following specifics:

1) British apparently prepared to hold discussions with Indos and we believe they should accede to Tunku's request that they proceed in such a way as to make clear UK cannot commit GOM, in order to protect GOM from further charges of being neo-colonial puppet. If British appear reluctant believe we should encourage them to proceed on basis of GOM suggestion.

2) US should not take separate initiative until we know results UK-Indo talks.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Secret. Repeated to Bangkok, Djakarta, Kuala Lumpur, London, Manila, Tokyo, USUN, and CINCPAC for POLAD.

<sup>2</sup> Documents 78 and 79.

<sup>3</sup> The Embassy in Indonesia commented on this cable in telegram 783 from Djakarta, October 27. The analysis was originally sent to Jones in Hong Kong and was repeated to Washington at his request. While the Embassy believed the arguments in telegram 714 were "cogent and in broad aspects present realistic commentary on current Indonesian scene," the most important factor not taken into consideration was the "depth of the current internal political jockeying in Indonesia" between moderate non-Communists and leftists and the PKI. A highly visible tripartite conference on Malaysia resulting in a tactical success for Sukarno could dissipate unity of the non-Communist coalition. The Embassy stressed the importance of quiet diplomacy. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 1 INDON)

3) If GOM adamant re determination execute Indo regulars infiltrated or dropped Malaya, believe USG should make approach urging moderation in interest broader political considerations.

4) See no objection to instructions for Djakarta, Tokyo, Kuala Lumpur as contained Deptel 715. Re KL instructions Bell just prior to departure KL spoke with Razak and indicated our view of Tunku's revelation Indo feelers. Although other GOM leaders including Senu had agreed earlier that Tunku's public statement unfortunate, Razak made no comment. There is some speculation in KL that reason for Tunku statement, as in the case of Indonesian approaches to British (which are included in his count of six "feelers"), was GOM fear Indo trap.

5) Following British-Indonesian discussions and assuming improved UK-Indo relations, we inclined believe best bet is still for secret Tunku/Sukarno meeting either with or without third party playing "Bunker" role.<sup>4</sup> Benefits of third party have been partly spelled out from KL. We also recognize there may be detrimental aspect of inhibiting effect presence of third party might have on willingness of principals to be forthright. As to mechanics of such meeting, we believe Japanese might play useful role particularly as they most anxious to make contribution. If plan for such meeting were held closely by high level Japanese Govt., chances for leak would be minimized. No reason why Sukarno could not openly visit Japan as he has done often in past. Tunku might go secretly, possibly being brought in by Commonwealth military aircraft. Meeting could be held at secluded spot similar to Dutch-Indo discussions West Irian in Virginia. With full support of Japanese arrangements of this kind probably would avoid publicity. Japan might also offer an "Asian Bunker" to act as mediator. Although GOM suspicious of Oda, Tunku might be persuaded accept him. Another possibility would be Zafrulla Khan if were able undertake such a mission while ICJ justice.

Although GOM now suspicious of Pakistanis because of GOP attitude toward Communist China, they might be convinced in view Khan stature as an international figure and fact that he has not been associated with GOP recently.

This scenario illustrative and raises some problems such as willingness Tunku participate in plan which he may view as undignified for chief of govt. There are other possibilities such as meeting in Europe. Tunku in July was told by London eye specialists he should return for further examination in 3 or 4 months. Understand Sukarno may go to Vienna for further medical treatment in January. This could provide

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<sup>4</sup> Ellsworth Bunker's role in facilitating a solution in 1962 to the dispute between Indonesia and the Netherlands over West New Guinea/West Irian.

opportunity unobtrusive meeting. Both principals would have to agree to this plan well in advance to prevent further deterioration in situation based on uncertainty.

6) If bilateral summit proves unobtainable, suggest we then actively revive discussion possibility AACC with Aussies and UK. Believe it would be best for them, if they agree with the proposal, to make first approaches to GOM. We should indicate our willingness to try to get Macapagal to name Thais as Phil representative on AACC. Then GOM could pick reliable AA country, possibly Malagasy. We might also be prepared ask Macapagal to suggest to Thais that Japan should be fourth member of commission. If Indos select Pakistan, quadripartite commission would be in reasonably good shape, from US standpoint. Our approach would include understanding that all parties be urged as first order business to request immediate withdrawal of Indonesian guerrillas from all of Malaysia and seek guarantee complete cessation military activity.

If Tunku can be assured that AACC would make this first order business, Bell believes that US with help of Aussies and UK, could probably sell Tunku on basis that AACC offers best opportunity test Sukarno's real intentions.

**Rice**

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## **81. Memorandum of Conversation<sup>1</sup>**

Washington, October 27, 1964, 10 a.m.

### **SUBJECT**

Indonesia and Malaysia

### **PARTICIPANTS**

#### *US*

The Secretary  
William R. Tyler, Assistant Secretary  
for European Affairs  
J. Harold Shullaw, Director,  
EUR/BN A

#### *UK*

Patrick Gordon Walker, Foreign  
Secretary  
The Lord Harlech, British  
Ambassador  
Sir Harold Caccia, Permanent  
Under-Secretary, Foreign Office

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON–MALAYSIA. Secret. Drafted by Shullaw and approved in S on November 9. The meeting was held in the Secretary's office. Gordon Walker was in Washington October 26–27. The most complete record of his visit is *ibid.*, Conference Files: Lot 66 D 110, CF 2440.

In further amplification of the United States position with respect to the Indonesia-Malaysia problem, the Secretary said we did not want to be faced with residual military responsibilities for the consequences of escalation. The United States in this matter is a half pace behind those countries—the United Kingdom, Australia and New Zealand—with direct commitments. The American people are weary of the concept that the United States is to be regarded as the world's gendarmes. We have pointed out to Australia and New Zealand the desirability of increasing their defense budgets. They have been relying too much on ANZUS and too little on their own efforts.

The Secretary noted the apparent interest of some Indonesian leaders in quiet talks with the UK. He regretted the action of the Tunku in unnecessarily complicating the situation by referring at a press conference to these confidential messages from the Indonesians. The Foreign Secretary replied that the British Government was examining these Indonesian feelers but had to keep the Tunku in step and did not wish to get into the position of an intermediary between Indonesia and Malaysia.

The Secretary commented that Sukarno has the mistaken idea that the oil companies operating in Indonesia can be treated as hostages. As a matter of fact if he were to move against the companies, the immediate consequence would be the loss to Indonesia of \$125,000,000 per annum in foreign exchange. Indonesia's foreign exchange position is very bad with the reserves some time ago down to \$25,000,000.

The Foreign Secretary inquired about our assessment of Sukarno's relations with Peking. The Secretary replied that while Sukarno privately speaks of the Chinese Communist threat, the Indonesian Communist Party has swung from Moscow to Peking.

The Secretary explained to the Foreign Secretary that our Joint Chiefs of Staff believe it is important to continue our training contacts to the extent possible with the Indonesian Army. The Foreign Secretary expressed understanding of this policy but indicated concern at public reaction in Britain. Lord Harlech noted that US training of Indonesians in guerrilla warfare was troubling. The Secretary replied that this training was being phased out.

The Secretary suggested, and the Foreign Secretary agreed, that it would be a good idea to leave the Dutch free to play their own hand in dealing with the Indonesians. He noted that the Dutch, whose relations with the Indonesians have shown some improvement, may turn out to be the principal Western influence in Indonesia.

The Secretary expressed understanding of the need for a tart reply to Indonesian parachute drops and landings in Malaysia. He explained that his public assurances of US support for the Philippines made during the recent visit of President Macapagal were prompted by infor-

mation we had received of Indonesian meddling in Mindanao and involvement in Manila demonstrations. The Secretary said we planned naval visits to Philippine ports as a further warning to the Indonesians.

The Secretary concluded discussion of this subject by emphasizing the importance of complete precision in understanding between the President and Prime Minister Wilson so that there is no risk of anything being taken for granted. The Foreign Secretary expressed agreement and added that full information concerning any intended or contemplated action should be exchanged between our two countries even if no action is expected of the other party.

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**82. Note From Robert W. Komer of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, November 5, 1964.

Mac—

Bill B. feels we've got to start rolling on a successor to Howard Jones, who's not in best of health, has been in Djakarta almost *seven* years, and is nibbling at offer to be head of East-West Center in Hawaii.

Bill had hoped to tap Gale McGee (if defeated). Now he has no other candidate than Jake Beam. Jake's a good, solid guy but not man I'd choose to deal with Sukarno. Bill would like Wilson Wyatt, but we recall that the Oval Room put the kibosh on him. Is a rehearing possible?<sup>2</sup> Wyatt would be great.

I'm quite worried lest, on top of all the other anti-Bung gestures we're making these days, pulling out Howard would be wholly misconstrued by the Bung. Ergo, unless we can find a really good man quick, why not keep Jones there a few months longer while we search.

Bill wants a quick reading on WH sentiment. What's your reaction?<sup>3</sup>

**RWK**

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. III, Memos, 9/64–2/65, [2 of 2]. Secret.

<sup>2</sup> At this point Bundy wrote: "Yes it is. McGB."

<sup>3</sup> At this point Bundy wrote: "Let's get a strong rec for Wyatt. McGB." Komer wrote, "Byroade" at the bottom of the text.

**83. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, November 9, 1964, 6 p.m.

853. For Bundy from Ambassador. In Honolulu I met with President and Board of Regents University of Honolulu, and have been offered Chancellorship of East West Center. This looks like challenging responsibility and I am inclined to accept but have deferred decision pending consultation with you, Governor Harriman and Secretary Rusk.

US-Indonesian relations are at moment as sensitive and delicate as I have known them to be. President Johnson's tremendous victory has been enthusiastically welcomed by leadership here. I have been congratulated personally by all leading Cabinet personalities on Johnson victory which is interpreted here not as meaning any change in US position on Malaysia but as significant in terms progressive approach of USG to fundamental world problems, in particular social and economic advancement of less developed countries. In my opinion, we have in Indo reaction to results of election foundation upon which we can build an effective relationship between our two countries and continue to attempt to exercise intelligent restraint and counsel for moderation. Opportunity to accomplish this, however, is likely to depend upon manner in which transition between Ambassadors is handled.

This situation is well nigh unique. Here we have Indonesian President who, while he is basically opposed to Western influence in his country, has retained a close relationship with the representative of the most powerful Western country with whatever possibility for moderating counsel on our part this may have provided.

The foregoing plus other elements in this situation suggest desirability of personal consultation in Washington. Specifically, the following matters require thoughtful consideration:

1. Timing and manner of my resignation and announcement and of acceptance of Chancellorship.

2. How and when to inform Sukarno who could interpret my resignation as fundamental policy change toward Indonesia on part US Government unless convincingly presented to contrary.

3. Question of timing of my successor's appointment and means to pave way for him. I would, of course, wish to retain for him as much of whatever influence I have on Sukarno and other members of his government as possible.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, PER JONES, HOWARD P. Confidential; Exdis.

Looking forward to my new responsibility, a visit to Washington would also provide opportunity to talk with Assistant Secretary McPherson and others concerned with East West Center which would appear useful at this point.

As to timing, I have impression from President Hamilton of University of Hawaii that, although Regents are anxious for me to reach early decision, there is reasonable flexibility re date of assumption new responsibility, provided announcement is handled expeditiously.

If Department perceives no objection, I would plan to come to Washington for brief consultations within next ten days. Please advise.<sup>2</sup>

**Jones**

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<sup>2</sup> In telegram 465 to Djakarta, November 13, Bundy suggested that Jones was needed in Djakarta rather than returning to Washington for consultations. Bundy suggested that since Jones' departure would be traumatic for Sukarno, Jones should "begin withdrawal therapy dropping series carefully graded hints that end of your mission is approaching." (Ibid.) In telegram 923 from Djakarta, November 19, Jones reported that he informed Sukarno of his impending resignation. (Ibid.) In telegram 1183 from Djakarta, December 24, Jones reluctantly reported that Sukarno had insisted that he ask the Department if he could stay at his post 2 years longer since Sukarno said he "found it difficult to think of doing business with anyone else." Jones reported that he told Sukarno it would be impossible to report such a request because it would look like he was "making a bid to stay on." (Ibid.)

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#### **84. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, November 19, 1964, 7:53 p.m.

487. Embtel 919.<sup>2</sup> We concur with your estimate that internal Indonesian political situation injects new element of urgency into continuing

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON–MALAYSIA. Secret; Priority. Repeated to Kuala Lumpur, London, Bangkok, Manila, Tokyo, and CINCPAC for POLAD. Drafted by Underhill; cleared in draft by Bundy and George W. Jaeger, EUR Staff Assistant; and approved by Cuthell.

<sup>2</sup> In telegram 919 from Djakarta, November 18, the Embassy suggested that there were domestic reasons why the Malaysia dispute should be removed from the military arena to the conference table. Moderate non-Communist groups were challenging the PKI and Subandrio and the PKI hoped to use the Malaysian dispute "to smother" these forces. In addition, Sukarno naively believed that President Johnson's reelection would result in improved U.S.-Indonesian relations and was therefore more receptive and open minded. Jones recommended initiating efforts to get U.K.-Indonesian talks going, indicating U.S. support for them, moving the dispute to an AACC solution or some other mechanism, and enlisting help from Japan, Thailand, and possibly the Philippines. (Ibid.)

common effort divert Malaysian dispute from military arena into diplomatic contacts and discussions. While continuing hold view expressed Depcirtel 715<sup>3</sup> that GOI not interested in "solution" short of accomplishment announced objective crush Malaysia, we believe that as matter of tactics all avenues should be explored which could involve GOI in contacts tending to inhibit continuation at least military aspects of confrontation.

In charting new U.S. initiatives would appreciate further Embassy analysis of their possible effect on internal political situation. Broadening pattern of failure of military confrontation program as presently conducted (landing fiascoes, UN vote, Cairo reaction) appears to be one element encouraging Malik-Saleh group to stand up against Subandrio-PKI. Subandrio-PKI, and to date Sukarno, clearly wedded to concept that military pressure on Malaysia necessary to frighten Tunku to conference table in mood to accept Indo position. Would Sukarno-Subandrio interpret U.S. initiatives to reopen talks at this point as proving validity their thesis, and thus harm rather than assist anti-communist movement? If intensification confrontation is important weapon against Malik-Saleh group, why would Subandrio be disposed deprive himself of this weapon by entering into talks?

Our first problem is establishment specific proposals we would make to Australians and British. Would appreciate therefore expansion points two and three final paragraph of refel to this effect with following points in mind:

1. We cannot expect much progress unless we can get HMG and GOA on board, and they will be unwilling pick up existing peacefeelers and unreceptive new approach until Indonesia has agreed, at least secretly, to terminate attacks on mainland and has in fact done so over a period of time. Considering Sukarno's determination continue military pressure voiced in conversations with you and Shann, what are chances you could persuade him modify this position?

2. What specifically would we suggest to principals as subjects for "meaningful talks"?

3. Would Indonesians be prepared take up GOM gambit on disposition captured infiltrators as opening for broader bilateral talks?

4. What interpretation in context bilateral U.S.-Indonesian relations is GOI likely to place on our initiative bring problem back to conference table? How great is danger that Sukarno/Subandrio would see this as evidence softening U.S. attitude and one more demonstration U.S. preparedness reward intransigence and rescue Indonesia from consequences of its own conduct.

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<sup>3</sup> Document 79.



Assuming we can work out acceptable and sufficiently detailed proposal, Dept hopes we can be in position start discussion this subject with HMG and GOA in near future.

Kuala Lumpur comments on this and reftel would be appreciated.

**Rusk**

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**85. Note From Robert W. Komer of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, November 19, 1964.

Mac—

FYI we've growing evidence that quite a domestic flap is brewing in Indonesia between PKI and anti-PKI groups, perhaps to a degree the start of jockeying for power in anticipation of Sukarno's demise.

At any rate Jones argues eloquently (Djakarta 919 attached)<sup>2</sup> that this is all the more reason for renewing our efforts to defuse Malaysia crisis, lest this be used by Subandrio and PKI (with or without Sukarno) as excuse for re-imposing unity.

As you know, I've been badgering FE not to give up on efforts to buy time here.<sup>3</sup> We have little to lose, and a lot to gain. But the FE experts seem tired of the game, and tend (probably with some reason) to discount Jones. They keep telling me we've tried all Jones' remedies before, so why mount up again.

However, I'm still playing devil's advocate (the last Sukarno-lover). Even at risk of some caustic response from Bill about my badgering, you might stick in a needle too.

**RWK**

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. III, 9/64–2/65, [2 of 2]. Secret.

<sup>2</sup> See footnote 2, Document 84.

<sup>3</sup> Most recently in a memorandum to William Bundy, November 17. (Johnson Library, National Security File, Files of Robert W. Komer, Indonesia, Nov. 63–Mar 66, [1 of 3])

## 86. Political Action Paper<sup>1</sup>

Washington, November 19, 1964.

1. *Background:* The fulcrum of political power in Indonesia is sustained by Sukarno through the adroit balancing of power organizations and personal loyalties. The principal identifiable power entities in point are the Indonesian Army and the Partai Komunis Indonesia (PKI). The status of the PKI has been examined most recently by the Office of Current Intelligence (OCI) in its Special Report of 23 October 1964, entitled "Sukarno and the Communists,"<sup>2</sup> the high points of which are pertinent to consideration of the future course and emphasis of covert action in Indonesia:

a. *Party Growth:* During the years 1951–1964 the PKI has increased from 12,000 to a claimed membership of three million. This growth has been encouraged and assisted by Sukarno, who has benefited from its highly organized support of his regime and its objectives. OCI observes:

"... Sukarno has largely suppressed political opposition to himself. Because this opposition was invariably anti-Communist as well as anti-Sukarno, its suppression and the failure of non-Communist groups to come forward has had the effect of leaving the field to the Communists."

b. *Party Strength:* The PKI has devised, organized, and guided a variety of specialized front organizations, in such traditional sectors as peasants, labor, youth, and women. Membership probably involves between 10 and 12 million people.

c. *Party Accomplishments:* The cabinet reorganization of August 1964 resulted in the appointment of three PKI members and three PKI sympathizers to ministerial rank (out of 79). The PKI-dominated National Front, functioning as an integrated element of the national government, has gained ascendancy over the administration of the provinces.

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<sup>1</sup> Source: Central Intelligence Agency, DDO Files: Job 78–00597R, FE/State Dpt Meetings, 1964. Secret. A draft of this paper, prepared by [text not declassified] and approved by DCM Galbraith, was discussed at a meeting between Department of State and Central Intelligence Agency officials on October 22. Cuthell expressed his view that covert action should be confined at this time to disruptive operations against the PKI. To use non-Communist elements was risky because their positions were not well known, they were under close surveillance by the Indonesian security service, and they might involve longer-range commitments than the United States was prepared to make. Cuthell offered revisions. The revised draft paper, that printed here, was resubmitted at a November 6 meeting of State and CIA officials. At the November 19 meeting of these officials, William Bundy approved the paper in principle and asked that it be sent to Djakarta for Jones and [text not declassified] comments. (Memoranda for the record by Colby, October 22, November 5, and November 20; *ibid.*)

<sup>2</sup> Johnson Library, National Security File, Country File, Indonesia, Vol. III, Memos, 9/64–2/65, [2 of 2].

d. *Prospects:*

"The PKI still needs Sukarno to protect it while it consolidates its gains, and it probably hopes he will survive a few more years but no longer. Within that time, if present trends continue, PKI infiltration of national and local government and Communist organizations of the peasantry will have become so effective that at Sukarno's death the party can make a bid for power with good chances of success."

The Indonesian Army currently is the only organized entity capable of resisting the trend described above. While Sukarno lives, it will not move effectively to counter the PKI, nor is its leadership by itself sufficiently astute politically to guide such an effort. This in an atmosphere in which the PKI actively influences and participates in government and administration, the Army responds defensively and individually. It is no more of a counter-force than Sukarno wants it to be. The Army is, furthermore, the object of a sustained PKI penetration program. OCI also observes:

"Sukarno, seeking to maintain his own preeminent position, to preserve national unity, and to advance Indonesia internationally at the expense of the West, finds it totally inexpedient to challenge the PKI. His tactics, combined with Communist single-mindedness, seem likely ultimately to bring Indonesia under Communist control.

In essence, therefore, unless extraneous factors intrude, a Communist-oriented Indonesia can be expected within the not too distant future. What is clearly required is a program designed to separate legitimate national aspiration, Sukarno chauvinism and PKI ambitions so that forces inimical to the United States can be distinctly identified and countered.

2. *Assumptions:*

a. That the current trend of events and configuration of forces in Indonesia will result in increasing PKI prestige, influence, and size unless positive as well as negative action measures are taken.

b. That this PKI increase in strength will result in a series of tests of strength.

c. That the prime object of PKI strength-testing will be the United States, its representative institutions and policies. This will be all too conveniently appended to the Indonesian Government's avowed program of eliminating Western influence and power in Southeast Asia, a program of which it is now clear the anti-Malaysian campaign is only one aspect.

d. That on the death or removal from power of Sukarno, a power struggle will ensue, with the PKI and Indonesian Army as principal protagonists.

e. That in terms of succession potential within or without the Government of Indonesia, no individual or group of individuals now

possesses the influence or capability of acquiring without reference to the PKI or the Army.

f. That recent events have shown that elements with strong nationalistic and religious convictions do exist in Indonesia. That these elements, working in tandem with the Army, and supplying an ideological and conceptual base for the Army and allied elements, could constitute a sufficient aggregate strength to forestall PKI victory in the eventual struggle of power elements for succession.

g. That under present and likely future circumstances, insurgency, military dissidence, and other disruptive action against the regime are not desirable, and that a unified, unfragmented Indonesia is a major desideratum.

3. *Objectives:* To counter these trends, a covert action program including the following objectives is stipulated:

a. Through indirect means, take action to create an image of the PKI as an increasingly ambitious, dangerous opponent of Sukarno and legitimate nationalism. The role of the PKI and its associated organizations as instruments of neo-imperialism, especially Chinese neo-imperialism, would be consistently emphasized.

b. Encouragement and coordination of the efforts of, and to the extent securely possible, covert assistance to, individuals and organizations prepared to take obstructive action against the PKI.

c. Development of a broad-gauge ideological common denominator, preferably within the framework of Sukarno's enunciated concepts, to which practically all political groupings in Indonesia except the PKI (and possibly outright dissidents) can adhere, so that the cleavage between the PKI and the residue of Indonesian society can be widened. At the same time, this common denominator can operate to reduce the normal and traditional difference between individual parties, between Right and Left, between non-Communist Marxists and religious nationalists, etc. Recent PKI disclosures suggest that for the Communists, Pantja Sila is only a temporarily satisfactory expedient as an ideology. Possibly adherence to the concepts of Pantja Sila will serve as the required broad-based common denominator.

d. Identification and cultivation and where possible, coordination of potential leaders within the present and future Government of Indonesia, to insure orderly and non-Communist succession upon Sukarno's death or removal from office.

e. Identification and assessment of anti-regime elements, in order to monitor their activities and strength, and be in a position, in the event of a non-Communist successor regime, to influence them to support such a regime.

[Here follows section 4 entitled "Means."]

5. *Concluding Remarks*: The political situation in Indonesia is unusually fluid. The pertinence and feasibility of the means described can be expected to fluctuate regularly. The implementation of these means will be emphasized and de-emphasized to correspond to the political necessities of the moment. Close and continuing contact will be maintained with the Ambassador concerning all aspects of implementing this program.

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**87. Note Prepared by Robert W. Komer of the National Security Council Staff<sup>1</sup>**

Washington, November 19, 1964.

1. In principle, I am thoroughly in favor!<sup>2</sup> As our overt leverage on, and links to, Indonesia decrease, this is all the more needed.

2. We are entering a period of major flux in Indo politics, which could become a struggle for power especially if Sukarno dies. We can't begin too soon to lay groundwork for playing a role in this if we can.

3. Paper focuses on main threat to US interests, which is not really Sukarno or Sukarnoism, *but the PKI*. Indo is too important to lose to PKI, which is most likely prospect at present.

4. I'm not sure how much impact recommended program would have. The brief gives no order of magnitude of effort. But it's worth a try if following question satisfactorily answered.

5. Key question is whether we can do what's proposed really *clandestinely* without burning our fingers. If Bung or PKI really caught us at this game, we'd probably lose more than we'd gain.

6. In sum, I'd fully endorse if those who are closer to Indo scene than I will undertake that this can be launched discreetly and with reasonably low risk of a backlash.

**RWK<sup>3</sup>**

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<sup>1</sup> Source: Johnson Library, National Security File, Files of Robert W. Komer, Indonesia, Nov 63–Mar 66 [1 of 3]. Secret. There was no recipient of this note, James C. Thomson's initials appear at the top of the page.

<sup>2</sup> Reference is to Document 86.

<sup>3</sup> Printed from a copy that bears these typed initials.

# 88. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, November 25, 1964, 7 a.m.

962. Reference: Department's telegram 487.<sup>2</sup> Additional talks with key GOI leaders since events reported Embtel 919<sup>3</sup> have added weight to need for moving Malaysian dispute to conference table. To date Adam Malik, Chaerul Saleh, General Nasution, General Sukendro and others have made strong pleas for US help in rescuing moderates within Indonesia from what could easily become untenable position.

While I agree with many points in reftel I believe Department may underestimate strength of sentiment here in favor of face-saving way out on Malaysia issue. Important segments Indo military have been embarrassed by obvious failure of efforts against mainland Malaya. Burgeoning non-Communist movement fears dispute will be used to suppress them. As result there seems to be unity of interest among significant elements here which could give us leverage to help defuse dispute.

Regarding specific questions in para 2 reftel, we believe internal issues, especially local concern over growing PKI influence, were key elements in providing motivation for moderate forces. Failure of "confrontation" was also a factor but this was probably secondary. In early stages of non-Communist movement, settlement of Malaysian issue with behind scenes help USG might have lulled newly awakened moderates into false sense of believing everything would soon be all right. However, movement has gained such momentum that I do not believe this is any longer the case. Danger now is one of suppression, since PKI and FAR leftists must be concerned by non-Communist drive and stirring up any issue or tactics to restore status quo, Malik and others believe they are too strong to be stopped except in wave of ultra-nationalistic frenzy which would almost certainly accompany intensification of Malaysian dispute. This is precise issue which helped them gain momentum and could now be turned against them.

We share Dept's view that Subandrio would be most reluctant to deprive himself of weapon which might be used against moderates. However, we believe we could contribute in creating situation where Subandrio would have little choice but to go along with such move.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret; Priority. Repeated to Kuala Lumpur, Bangkok, Canberra, London, Manila, Tokyo, and CINCPAC for POLAD.

<sup>2</sup> Document 84.

<sup>3</sup> See footnote 2, Document 84.

His “unprecedented cordiality” with British Amb Gilchrist Nov. 20 (Embtel 943),<sup>4</sup> may indicate Subandrio sees handwriting on wall and is prepared, whatever his motivation, to be more helpful.

Our comments on numbered paras reftel follow:

(1) We have gained impression here that while Brits going slow on talks with Indos they have definitely not closed door. Results of Gilchrist’s latest talk with Subandrio may well encourage additional British moves. Australians, while somewhat pessimistic regarding prospects, give impression here they willing explore any possibility for peaceful settlement.

(2) First objective Indo-UK talks should be merely to restore communications and establish some sort mutual confidence. Only if discussions are started can Brits effectively stress importance of ending Indo military attacks and persuade GOI that Tunku not averse to direct discussions. We believe that such talks, while useful prerequisite, probably would not succeed in settling issue in which so much “face” involved. Talks could however provide opportunity for seriously exploring viewpoints of parties concerned and hopefully moving toward AACC or other impartial device which would actually recommend solution. Sukarno commitment in advance to adhere to AACC decision was opposed by Subandrio but seems indicate Sukarno willing accept impartial judgment which gives him opportunity end unsuccessful military confrontation without appearing to bow to Tunku or Western powers.

Only specific issue impeding direct GOI–GOM discussions PR movement to AACC seems to be Indo guerrillas. Appears to us that Tunku’s insistence on withdrawal these guerrillas as prerequisite for talks is not very realistic. It doubtful if GOI still has control over those on Malaysian territory, and prime objective at present should be to prevent further incursions and reduce chances of escalation. If this issue could be bypassed we could move on to solution which would be in interests of all concerned.

(3) Appreciate Amb Bell’s view that discussion of captured infiltrators could provide means place GOI and GOM into direct communication (KL’s 622),<sup>5</sup> but I am inclined believe it preferable if subject can be sidetracked for present. On basis past experience by tripartite Foreign Ministerial negotiations in Bangkok earlier this year, and estimate present Indo mood, I believe actual result of bringing two sides together on issue of prisoner status would be that talks never get beyond techni-

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<sup>4</sup> Dated November 21. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON–UK)

<sup>5</sup> Dated November 23. (Ibid., POL INDON–MALAYSIA)

cal stage, thus actually hamstringing chance for political discussion of broader issues. It will be realized that approach of GOM and GOI to negotiations has consistently been completely different and will likely continue to be. Indos have refused to come to agreement on such aspects as guerrilla withdrawals, supervision of cease-fire, etc., and instead have stated repeatedly that these things can be readily solved if basic political settlement achieved. On Malaysian side, such issues have been consistently viewed as stepping stones to more basic agreement and, in manner almost "more British than the British," GOM has concentrated on legal, technical and moral arguments to secure strict compliance to some such preliminary agreement before proceeding further.

I do not believe that Sukarno will be willing to immerse negotiations again in what GOI considers as side issues, and from our viewpoint such debates could easily offer Subandrio wholesome room for maneuver and influence on President regarding alleged GOM obstructionism. I believe Indo willingness to settle current confrontation can only be tested by procedure which will largely avoid subordinate issues and go to heart of intentions both sides with regard to basic rapprochement. Latter could then create climate of feeling in which two important steps can be taken: (1) Halt of Indo military attacks, and (2) formation of some such mechanism as AACC which can give Sukarno political excuse to call off policy which has become ingrained in political fabric of Indo. This all presumes, of course, that prisoner issue will not suddenly come to head and that GOM able and willing to let issue vegetate quietly in legal channels for some time. This has been our impression here on basis Embassy KL and CAS reports.

(4) If US initiative used in carefully controlled fashion here and in KL, I do not believe this would be viewed as indication that "US prepared reward intransigence." Sukarno feels USG has abandoned neutral stand and is actively supporting GOM. US initiative now would in his eyes help restore balance and increase our credibility. If Dept agrees to proposal that we take advantage this opportunity I would plan make absolutely clear to Sukarno that we will not do for them in Malaysia confrontation what we did in West Irian dispute. Situations are totally different and US policies in no way similar. Instead of smoothing way for GOI achievement of main objective as in settlement of dispute with Dutch over West Irian, our initiative this time will essentially be for purpose of allowing Sukarno graceful way to step back without achieving stated objective of "crushing Malaysia."

I would also propose outline to Sukarno dangers of Malaysian confrontation as we see it and our concern over state US-Indo relations which stems in large part from confrontation. I would hope be authorized to tell him new administration wants to help GOI explore possible



ways of ending present dilemma, making point, as I have so often in past, that we recognize Malaysia, disagree with GOI current activities against Malaysia, but that we wish to be helpful in achieving peaceful solution to thorny question between two neighbors. We are not concerned with substance of solution but in bringing parties concerned together so that mutually satisfactory solution can be found. We hope GOI will seriously pursue discussions with British and make every effort move on to AACC or other device. Would be most useful also to be able tell him we have good evidence Tunku shares this view.

I believe we might begin by strongly encouraging British to follow up promptly on encouraging beginning made by Gilchrist–Subandrio conversation November 20. If results are encouraging we should be prepared to quickly follow up with approaches in Djakarta and KL to really get issue moving toward solution. I get impression Department of opinion that time working on our side. While this may have been case at one time, I believe time now running out for us and for Indo moderates who need our help.<sup>6</sup>

Jones

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<sup>6</sup> In telegram 502 to Djakarta, November 25, the Department suggested there was no prospect that the United Kingdom and Malaysia would resume talks with Indonesia while Indonesia continued to introduce new troops into the conflict. The Department stated that it was not a problem of Indonesian forces on Malaysia soil, but “these unrelenting low-level forays of small bodies of troops and saboteur forces which are the obstacle.” The only approach the Department could see succeeding was for Sukarno to stop military activity for a month or so to allow Tunku and the British to make secret contacts for an Asian-African Conciliation Commission or some other mechanism. (Ibid., POL INDON–MALAYSIA) Jones responded in telegram 984, November 26, that he was not proposing to bypass a cessation of Indonesian military activity, but looking for a tacit cessation of hostilities. The issue he proposed to bypass was the Indonesian guerrillas on Malaysian territory. (Ibid.)

# Sukarno's Confrontation With the United States: December 1964–September 1965

## 89. Intelligence Memorandum<sup>1</sup>

OCI No. 2057/64

Washington, December 2, 1964.

### RALLYING OF ANTI-COMMUNIST FORCES IN INDONESIA

1. For the first time in several years there are the faint stirrings of an anti-Communist movement in Indonesia. Provoked by increasing boldness on the part of the Indonesian Communist Party (PKI) and by Sukarno's own increasing reliance on the party, several non-Communist figures have raised a new banner called "Sukarnoism." The movement is ostensibly dedicated to the defense of the President's almost mystical Five Principles (Pantjasila), but its main purpose appears to be that of combating PKI influence in the government and throughout the country.

2. It is too early to measure the movement's strength or effectiveness. While it reportedly has received indirect approval from Sukarno and appears to have enlisted important support, it could well collapse overnight if its strategy of winning the President's support should fail and Sukarno should move to suppress its growth.

3. The movement first came to light during Sukarno's absence on a foreign tour from 17 September to 5 November, when articles berating the PKI appeared in the Djakarta press. The PKI responded, of course, and a lively polemic followed for several weeks. However, during the week immediately preceding and the one immediately following Sukarno's return, the polemic subsided, almost as if the Sukarnoists feared retribution from the President. The only government move against the group, however, was the banning of a single Sukarnoist newspaper soon after the President's return. In the absence of further repressive action, the group seems to have taken on new courage, and its leaders are trying to organize and expand the forces involved.

4. Minister of Trade Adam Malik leads the group, but Chaerul Saleh, third deputy prime minister and concurrently minister of development, is also deeply involved. Malik, who is a former Indonesian ambassador to the Soviet Union, and Saleh are ideologically attuned to the "right wing" of the Murba (Proletarian) Party, usually described as the national Communist Party of Indonesia. With Indonesia having moved a considerable distance to the left under Sukarno, Malik and

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. III, 9/64-2/65, [2 of 2]. Secret. Prepared in the Office of Current Intelligence.

Saleh represent a "moderate" position, and their activities are arousing the hopeful interest of individuals who stand further to the right. The new group has advocated the spreading of Sukarnoism, i.e., the President's teachings, as a means of unifying the nation. Its spokesmen state that the campaign to crush Malaysia and to spread Sukarnoism are inseparable. Early in the press polemic, they attacked Communist Party Chairman Aidit for a statement he allegedly made disavowing the need for Pantjasila, to which all recognized political parties are obliged to subscribe—"once the revolution is won." Although this particular line of attack has been abandoned, the Sukarnoists continue to warn against those who are not true "Pantjasilaists."

5. Malik told US Ambassador Jones on 19 November that his movement has the support of the Nahdlatul Ulama (NU), the only large Moslem party which is still legal; the right wing of the National Party; and lower levels of the bureaucracy and political parties. Sukarnoist press elements have organized a "Body to Support Sukarnoism"; youth groups have organized a "Sukarnoist Student Movement"; and several non-Communist labor federations reportedly have banded together in an "undercover body" to support Sukarnoism. The labor groups feel they must keep their organization secret to avoid attack by the PKI. Malik feels that for the time being the movement must remain a loose coalition.

6. Whether the Sukarnoists have the extensive support they claim cannot be verified. For the most part only the statements of Djakarta politicians are available. There is a large but disparate body of non-Communist opinion in Indonesia, however, which would rally if given a safe opportunity. By early November in North Sumatra, at least, newspapers were cautiously echoing the new line from Djakarta.

7. Sukarno apparently is willing to see how the situation develops. According to Malik, a NU official on 18 November requested and received Sukarno's consent to "endorse non-Communist ideas" in a speaking tour of East and Central Java. Sukarno is said to have questioned the NU leader closely about the new movement's support, and the official reportedly told him that the NU is fully backing the new force.

8. Probably as a result of this meeting and reports about it, support for Sukarnoism during the next few days began to mushroom. Two military leaders—Minister for Defense General Nasution and Navy Chief of Staff Admiral Martadinata—spoke openly in its behalf. Army leaders, initially sympathetic but circumspect toward the new movement, are now making statements which, while not specifically supporting it, obviously align them with the Sukarnoists. Minister of Information Achmadi, who earlier had opposed it, reportedly told Sukarnoist supporters in North Sumatra to ignore attacks and to spread the doc-

trine but to preserve national unity. Even First Deputy Prime Minister Subandrio, who has tried to curry favor with the PKI for the past year and a half, reportedly received a Sukarnoist delegation, was "very friendly," and gave "valuable advice." Parliament, scheduled to open on 3 December, has postponed its next session until the second quarter of 1965. The change may have been arranged to avoid an early showdown between the PKI and the Sukarnoists.

9. The PKI, with its allies in the left wing of the National Party, for the time being is on the defensive. It has labeled Sukarnoism a disguise for "Communist phobia"—a favorite term of Sukarno's—and has stressed that the anti-PKI campaign developed behind Sukarno's back while he was out of the country. It charges that Sukarnoism is an attempt to displace NASAKOM, Sukarno's term for the cooperation of nationalist, religious, and Communist elements.

10. Prospects of the Sukarnoists seem to depend largely on the President. Although he is opposed to divisive political tendencies, Sukarno is at the same time ever willing to find effective pro-Sukarno elements that can be used in his political balancing game. In view of his preoccupation with his own political position and his possible concern that the PKI is pushing too hard, the successful development of Sukarnoism may be of interest to him. He could be willing to overlook for a time the fact that there are elements within Sukarnoist ranks whom he distrusts and whom he has considered expelling from the recognized political scene.

11. A major factor in Sukarno's permissive attitude toward the new anti-PKI group may be his hope that he can use it in maneuvering to schedule new talks on the Malaysia issue, and he may even believe he can use it to get economic assistance from the West.

12. Sukarnoist spokesmen are urging the US Embassy to take steps to encourage UK-Indonesian or Indonesian-Malaysian talks. They state that unless the Malaysia issue is peacefully settled, the new non-Communist movement will be smothered in the continuing anti-Malaysia clamor, and efforts to remedy Indonesia's deteriorating economy will continue to be frustrated. Although Sukarnoist leaders have identified themselves with the Malaysia confrontation, they seem to be trying to change its emphasis from a politico-military to a politico-economic one as a means of pressing national economic development. Although the Sukarnoists are not necessarily being directed by Sukarno to approach the Americans, their needs and strategy for the moment coincide with his.

**90. Memorandum From the Deputy Assistant Secretary of State for Far Eastern Affairs (Green) to the Assistant Secretary of State for Far Eastern Affairs (Bundy)<sup>1</sup>**

Washington, December 2, 1964.

**SUBJECT**

Conclusions Emerging from my talks with Mr. Peck, Undersecretary for Far Eastern Affairs, at the UK Foreign Office, November 27, 1964

During the course of an hour's talk with Mr. Peck November 27 in his office regarding the Indo-Malaysian confrontation, I drew generously on points developed in Mr. Cuthell's memo to me of November 25 and his talking points of November 23<sup>2</sup> for your conversations with Australian Foreign Minister Hasluck. In essence, I suggested that there was merit in the UK entering into discussions with the GOI as soon as appropriate looking to negotiations over the Malaysian issue. Set out below are my conclusions as to the British position on this issue, based on my talks with Peck.

1. There is no prospect that the UK will be willing or politically able to agree to resume talks with the GOI as long as Indonesia continues to introduce new troops into the conflict. (This confirms views expressed in Deptel 502 to Djakarta).<sup>3</sup> Several factors bear on British thinking:

(a) There is at present no real evidence of Sukarno's willingness to call off the confrontation.

(b) The UK believes that Sukarno is just beginning to feel the pinch of a more resolute UK and US posture. Let him really feel the squeeze, together with the costs and risks involved, and maybe (but only maybe) he will then be genuinely inclined to negotiate on acceptable terms.

(c) Meanwhile, the UK does not feel it prohibitively expensive to resist the Indonesian confrontation. Besides, the situation in Kalimantan is unlikely to escalate and the Malaysian mainland incursions are so ineffective as to contribute to the GOM's rising self-confidence. The GOI is likely to suffer more from the confrontation than the UK/GOM.

2. The UK feels that any talks on the confrontation issue should be principally between the GOI and GOM and that the UK should not play into the hands of Sukarno who is trying to create the impression that Indonesia's opponent in this confrontation is a non-Asian ex-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret. Copies were sent to Rostow, Jorden, and Cuthell. A note on the memorandum indicates that Bundy saw it.

<sup>2</sup> Neither found.

<sup>3</sup> See footnote 6, Document 88.

colonial state. Furthermore, the UK recognizes GOM sensitivities over any hint of a GOI-UK deal behind Malaysia's back.

3. While the UK is not disposed to take any initiative at this stage with regard to talks or negotiations, it will keep lines of communication open and give due attention to overtures from the GOI side. Peck considers that the appropriate channel of communication is in Djakarta and he questions the reliability of feelers elsewhere and the utility of trying to conduct talks elsewhere (such as in Bangkok, as suggested in London's 2553 to the Department).<sup>4</sup>

4. Peck did not say so, but I gained the impression that if a month were to go by without any new landings on the Malaysian mainland or without any increase in the scale of Kalimantan incursions, there might be a basis for starting down the road of talks and negotiations. I believe that, to have any real chance of success, such a lifting of the intensity of the confrontation would have to be decided and acted upon quietly and unilaterally by the GOI. Its completed performance might set the stage. However, there is no guarantee that even then the USG and GOM would be willing to move to negotiations.

5. Peck seemed skeptical re the thesis (developed in Djakarta's 962 to the Department)<sup>5</sup> that negotiations are now an urgent necessity in view of the danger that the PKI-Subandrio group would try to stir up the confrontation in order to submerge the nascent "Sukarnoist" movement in a wave of nationalistic frenzy. He did not argue against the possibility of this happening but he was deeply suspicious of Saleh and perhaps others among the Sukarnoists. Moreover, he saw no basis on which now to open negotiations with the GOI. Both the UK and GOM could not and would not concede on basic principles.

#### *Comment*

I see no point and considerable hazard in pushing the British on this issue—at least at this time. It is up to the Indonesians to take some tangible move to create the atmosphere and confidence necessary for beginning talks looking to negotiations. To enter into such talks prematurely is almost certain to lead to developments which tend to inflame rather than tranquilize the situation. Even to appear at this juncture to be too eager to start negotiations runs the clear risk of being misread by Sukarno.

This is not a question of our deferring to the British position in Malaysia in return for their understanding and support of our positions in Laos and Viet-Nam. It is a question of doing what is best in pursuing

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<sup>4</sup> Dated November 25. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 1 INDON-UK)

<sup>5</sup> Document 88.

our own interests in Indo-Malaysia. It so happens that the UK and US interests there and in Southeast Asia generally are the same.

Obviously there is great advantage in quiet coordinated US and UK policies in the confrontation issue. The time may arise over the next few months when we believe the British should press forward with talks looking to negotiations, but when the British will be reluctant to do so. If meanwhile we develop the closest rapport with the British on this issue, showing understanding and forbearance, then our chances of influencing the British position when the time is ripe will be enhanced.

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#### **91. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, December 9, 1964, 6:25 p.m.

531. Djakarta's 1074.<sup>2</sup> Fully endorse your efforts see Sukarno soonest re attacks on USIS installations. When you see him, should make clear you speaking under instructions.

You will, of course, be insisting that GOI take immediate steps insure full protection all USG establishments in Indo. You should emphasize our shock that GOI, rather than taking essential measures calm situation, has instead made official statements which can only be read as condoning mob action and inciting further violence. You should cite specifically Dec 5 Foreign Dept statement (Djakarta's 1060).<sup>3</sup> You should recall that we have received repeated assurances from Sukarno and other responsible Indo leaders that USG properties would be protected, yet Surabaya library has now been arbitrarily closed by Indo authorities and you prevented from traveling Surabaya by alleged inability GOI control situation. Restating line you took with Leimena, you might

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–8 INDON. Confidential; Immediate. Drafted by Ingraham, cleared by Cuthell, and approved by Bundy. Repeated to Manila and USUN for Cunningham.

<sup>2</sup> In telegram 1074 from Djakarta, December 9, Jones reported that he was advised by Indonesian police not to visit the USIS Library in Surabaya, which was damaged by demonstrators on December 7. Jones was advised that his presence would incite further demonstrations. Returning to his office, Jones received word that USIS operations in Surabaya were closed by local authorities to maintain law and order and to protect the facilities. Jones reported that he had requested to see Sukarno urgently. (Ibid.)

<sup>3</sup> In telegram 1060, December 5, the Embassy reported that the Foreign Ministry stated that it "fully understands the anger of the youth which caused them to make the demonstrations." (Ibid.)

wish raise question whether we are to conclude from this that GOI unable maintain internal order.

You should also emphasize that, quite apart from damage done relations between our govts, these attacks and GOI failure publicly disown them are creating strong and growing resentment among US public. In this connection, suggest you stress insult to US flag, noting that US public no less aroused by such despicable acts than Indos would be under similar circumstances.

To extent possible, we believe discussion should be confined primarily to incidents themselves and to serious impact these and other recent Indo actions are having on US-Indo relations. See no advantage in permitting Sukarno divert discussion into review positions in Indo-Malaysia dispute at this time.<sup>4</sup>

**Rusk**

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<sup>4</sup> In telegram 1098 from Djakarta, December 11, Jones reported that he spoke with the "rare phenomenon of a somewhat defensive Sukarno" who expressed regrets for the attacks, promised compensation, stated that he did not condone such acts, and pledged to protect U.S. installations in the future. (Ibid.)

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## **92. Memorandum of Conversation<sup>1</sup>**

SecDel/MC/50

New York, December 11, 1964, 10 a.m.

### **SECRETARY'S DELEGATION TO THE NINETEENTH SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY**

New York, December 1964

#### **SUBJECTS**

President Sukarno's Health  
US-Indonesian Relations  
Malaysia  
New US Ambassador to Djakarta

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 15-1 INDON. Confidential. Drafted by Toussaint and approved in S on January 7. This was Part I of III. The other memoranda of conversation, which were attached, were about UN financing and peacekeeping and Indonesia's economy.



## PARTICIPANTS

U.S.  
The Secretary  
Donald R. Toussaint, USUN

Indonesia  
Deputy PriMin Subandrio  
Ambassador Zairin Zain (Indonesian  
Ambassador to the United  
States)

*President Sukarno's Health*

The Secretary began the meeting by asking about President Sukarno's health. Deputy PriMin Subandrio said that an X-ray taken in Vienna some months ago had revealed there was a stone in President Sukarno's right kidney. Inasmuch as his other kidney is already affected, Subandrio said, the X-ray had given rise to real concern. Subsequent examination, however, had shown that the second kidney stone was not serious. As a result, the concern over President Sukarno's health had in general disappeared.

*U.S.-Indonesian Relations*

The Secretary broached the subject of U.S.-Indonesian relations by commenting that "we have been having difficulties lately." The Secretary said he understood President Sukarno had expressed to Ambassador Jones regrets over the damage caused by demonstrations at USIS facilities in Djakarta and Surabaya recently and had promised the Indonesian Government would make adequate compensation for the damages. Although appreciating President Sukarno's statement to Ambassador Jones, the Secretary continued, it must be recognized that the general effect of such incidents is most unfortunate, for they hamper efforts to improve U.S.-Indonesian relations. The U.S. feels very strongly, the Secretary said, that steps should be taken to prevent incidents of this nature in the future. Subandrio, in reply, laughingly but apparently seriously expressed the hope that Indonesian facilities in Washington would not receive "reciprocal treatment."

When the Secretary asked what was uppermost in Subandrio's mind concerning U.S.-Indonesian relations, Subandrio said it must be admitted that U.S.-Indonesian relations are indeed at a very low level. Nevertheless, he said, he had not lost hope they could be prevented from further deterioration; he felt there was a possibility they could even be improved. Subandrio then went on to note, however, that there is among the Indonesian public great pressure for terminating all U.S. information activities in Indonesia. Such a course, he said, was not favored by President Sukarno.

The Secretary replied in a general way that relations between any two countries tend to develop on a basis of reciprocity, that their improvement or deterioration depends on the actions of both sides.

*Malaysia*

The Secretary broached the subject of Malaysia by commenting that the U.S. does not fully understand what Indonesia wishes to achieve in the dispute concerning Malaysia. Subandrio said that President Sukarno had already agreed to a formula for a solution in Tokyo. One advantage of the Tokyo formula is its "face saving" character—that is, it would permit a solution which stemmed not from Western pressure but, rather, from recommendations made by an Afro-Asian group. The Indonesian Government, Subandrio said, still stands by its adherence to the formula worked out in Tokyo.

Subandrio said he believes there is still a possibility for a solution of the Malaysian dispute, although he admitted he saw no prospect of an immediate solution. He commented that the political climate was more favorable now than it was six months ago, suggesting that the new UK Government might be "less inhibited" from finding a solution than the previous UK Government. He said he still wishes to undertake talks with the new British Foreign Minister, Patrick Gordon Walker, and indicated the possibility of such talks was one reason for his present trip.<sup>2</sup>

The Secretary said it was his impression that the atmosphere in London is now "somewhat different." He went on to emphasize, however, that both the British and the Malaysians feel it is impossible for the political process of negotiations to begin functioning as long as Indonesian raids and incursions against Malaysian territory continue. The Secretary then asked for Subandrio's views as to the chances for a period of quiet during which such raids and incursions would cease. Subandrio replied, somewhat evasively, that such a period of quiet would be possible if there were indications that all sides are willing to find a solution and if all sides proved willing to tone down their provocations. In this respect, Subandrio specifically referred to broadcasts beamed to Indonesia by Radio Malaysia.

After a brief discussion of the economic situation in Indonesia (see Part III), the Secretary said he could see no reason for not arriving at a quick, peaceful solution of the dispute. The U.S., he said, wants such a solution, for if confrontation were to grow into a serious armed clash, the result could not but be costly and unfortunate for all concerned. At this stage, the Secretary said, the most important thing is the future of Indonesian raids and incursions. He went on to express the hope that some informal way could be found to terminate such incidents. In this way, it

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<sup>2</sup> In telegram Secto 34 to London, December 11, Rusk summarized this portion of his talk with Subandrio for Ambassador Bruce. Rusk stated that he thought Gordon Walker would wish to know that Subandrio was making himself available in Europe and would be interested in talking with Gordon Walker. (Ibid., POL 32-1 INDON-MALAYSIA)

might be possible to bring into operation the political process of negotiations, such as the four-nation Afro-Asian group agreed to in Tokyo. The Secretary went on to say that the U.S. does not like to envisage the prospect of the chain reaction which could develop from the fact that Malaysia has allies which, in turn, are allied to the U.S.

The Secretary asked Subandrio what he envisaged as the next step toward a solution of the dispute, and specifically, whether there is any other nation, such as Thailand or Japan, which could be of real assistance in finding a solution. Subandrio replied that any steps toward a solution must use the Tokyo agreement as a basis. He then suggested that it is now up to the UK to take some initiative. In his view, Subandrio stated, there are no insurmountable obstacles to a solution. He went on to emphasize that President Sukarno has been “very easy” in the past and would continue to be so in the future provided the proper “psychological atmosphere” can be created.

When the Secretary asked whether the Indonesians had had any serious contact with the Malaysian Government, or whether Subandrio planned to talk with the British Permanent Representative, Lord Caradon, in New York, Subandrio replied in the negative. He said there had been private discussions with Singapore businessmen concerning possible solutions of the Malaysian problem, but that there had been no official contacts with the Malaysian Government.

*New U.S. Ambassador*

When escorting Subandrio to the elevator, the Secretary noted that Ambassador Jones had resigned at his own request, entirely for personal reasons. The Secretary went on to say that he hoped we would soon be able to give the Indonesian Government definite news of Ambassador Jones’ successor.

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### **93. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, December 15, 1964, 5:45 p.m.

1119. Malaysia–Indonesia Dispute (Part I). This message in two parts. My analysis of current state of dispute and justification for USG

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Secret; Priority. Repeated to Bangkok, Canberra, Kuala Lumpur, London, Manila, Singapore, Tokyo, Wellington, USUN, and CINCPAC for POLAD.

initiative are set forth below. Following telegram presents specific recommendations.

*Analysis:*

Efforts to settle Malaysia dispute have been on dead center for months. Result has been a continuing deterioration in US-Indonesian relations, increasing danger of escalation of military conflict, strengthening of PKI within Indonesia, and ever tighter Indo bonds with Asian Communist regimes. Importance of settlement increases with each passing day if effective support is to be given to anti-Communist movement within Indonesia and if we are to maneuver Sukarno into position in which he has no recourse but to accept some kind of peaceful settlement.

Dept has made clear and I agree that sine qua non preceding talks is de facto cessation of hostilities. I continue to believe that four-power AA Commission (AACC) is most likely instrument—indeed perhaps only one ready to hand—through which settlement can be effected. Sukarno, having pledged himself to accept commission's recommendations, avoids necessity of selling to his people (or to PKI) any particular formula and can accept through this mechanism solution that he could not afford to support directly.

Objections to AACC have been brought up by Brits on ground that Sukarno would always be able to exert sufficient pressure upon his own nominee (Pakistan at moment seems likeliest selection) so that no proposal to which he objected could be adopted. My own view is that through diplomatic channels we could determine other three members so that from GOM standpoint cards would be stacked in its favor. (If successful in earlier steps I am proposing in following telegram, I would also hope we might help AACC find acceptable formula, e.g. [garble] plebiscite.) In any event, if Sukarno is bluffing, which I doubt because I think it is in his own interest to achieve some kind of drawback, I believe it is time we called his bluff. If we do not, he will always be able to exploit his position with many as having gone last mile in order to achieve peaceful settlement.

In our view, internal developments as described in recent reporting and state of Sukarno's health are strong pressures on President to find way out of militant confrontation.

I hear much from UK sources to effect: "We've got Sukarno on the run. This is no time to talk settlement." This neglects consideration of Sukarno's character and fierce national pride of other Indo leaders. He will never accept humiliation and in present impasse there is real danger he will turn to whatever alternatives are available, regardless how desperate they may be. There no need to outline these self-evident alternatives. Any of them would inevitably bring about further US

military involvement in SEAsia, further deterioration of relations with Indonesia, and further likelihood of GOI control by PKI, with all of its larger implications for USG position in this area.

Jones

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**94. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, December 15, 1964, 6:15 p.m.

1120. Embtel 1119.<sup>2</sup> Malaysia–Indonesia Dispute (Part II).

*Recommendations:*

For almost two months we have been holding back, hoping for fruitful results from anticipated direct discussions between UK and GOI, but combination of British reluctance and tentative nature Indo overtures has resulted in exactly nothing thus far. It seems to me that further delay simply plays into hands of those elements in Indonesia who do not want a solution to this dispute and increases danger escalation. Problem then is how to get Sukarno to call off his dogs.

In Embtel 646 we suggested a scenario for dealing with composition of the 4-power commission which has received general Dept approval in principle and endorsement of Embassies Manila and Kuala Lumpur but no steps have as yet been taken to implement it.<sup>3</sup> In order to bridge essential first stage of placing parties in contact and halting Indo hostilities, I have another suggestion which may be worth a trial. I would suggest we put this into effect immediately if any talks which may be held between HMG officials and Subandrio during latter's current trip do not produce prompt and specific results. My suggestion is essentially an elaboration of Dept's point no. one in Deptel 502 (rptd

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Secret; Priority. Repeated to Bangkok, Canberra, CINCPAC for POLAD, Kuala Lumpur, London, Manila, Singapore, Tokyo, USUN, and Wellington.

<sup>2</sup> Document 93.

<sup>3</sup> In telegram 646 from Djakarta, October 2, Jones suggested that after abatement of military hostilities and considerable diplomatic spade work, the AACC should be constituted with Thailand (the Philippine's candidate), Pakistan (Sukarno's candidate) and Malagasy Republic (a potential candidate for Malaysia) with Japan named as the fourth member. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA)

KL 454 and London 3503),<sup>4</sup> but requires that Amb Bell and I get into this actively somewhat as follows:

Step 1: I go to Sukarno and endeavor to obtain agreement to make unpublicized halt in further guerrilla raids, incursions, sabotage, etc., for period three (3) weeks as earnest of GOI's good intentions.<sup>5</sup> Simple plea on my part would be redundant and probably useless. I propose that I seek his commitment in return for promise of active display of American interest in promoting settlement at end of three week period.

It seems to me scenario along following lines would have best chance of success. I would tell Sukarno that I not acting under instructions but that I believe USG would be willing assist in bringing contesting parties together if it clear GOI really wants to negotiate. I would point out fact HMG and GOM appear to doubt that he wishes end military action. Thus I believe it essential he demonstrate his serious intentions by halting all military action for a period of three (3) weeks. I would tell him that if this is done I believe my government would agree to assist in efforts to move dispute to conference table. I would then outline briefly steps described below. Ask President whether he believes idea has merit, and seek determine whether he interested in putting into effect three (3) week moratorium to see if plan can be carried out.

I would point out that actual performance and not just promise was essential as any default would inevitably become known to GOM/HMG and thus poison prospect for success. In addition, cessation of hostilities would be expected to continue during period active discussions taking place in capitals concerned.

Step 2: If Sukarno forthcoming, inform HMG and GOM of Sukarno's commitment and importance taking constructive attitude to see if he is bluffing. Also express reassurances that any USG initiative will be taken only when Sukarno's performance on promise is evident and that our efforts designed solely to get parties together, not to take sides in dispute. Throughout, I believe fact of cease-fire must be kept secret (we should have no difficulty measuring actual performance), for if GOM publicly reveals such a commitment in advance of more basic political understandings, Sukarno will almost certainly repudiate whole thing and charge Tunku with insincerity.

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<sup>4</sup> See footnote 6, Document 88.

<sup>5</sup> In telegram 726 from Kuala Lumpur, December 16, Bell stated he did not think that the Malaysians would be willing to act on the basis of a 3-week cessation of hostilities. Bell recommended trying to obtain an open-ended commitment from Sukarno for cessation. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA) In telegram 1135 from Djakarta, December 17, Jones stated that he did not intend to imply that hostilities would be permitted to resume after 3 weeks, but he was sure that he could not convince Sukarno to give an open pledge. (Ibid.)

Step 3: If cessation of hostilities effective, I would proceed to Kuala Lumpur to confer with Amb Bell and discuss situation with such GOM authorities as Bell deems appropriate. (I am of course well acquainted with many GOM personalities from earlier years and would hope that announcement of my intention to resign will have removed to considerable degree whatever stigma of partisanship GOM leaders might have attached to me.) Frank discussion of internal Indo developments and attitudes might be useful in convincing GOM leadership that it in our common interest to engage Indos in negotiations as means avoiding escalation, buying time, and inhibiting PKI. I would be able to argue that Sukarno's adherence to moratorium on hostilities justified positive Malaysian participation in attempt to reopen political dialogue and search for appropriate mechanism or formula which could remove some of dangers inherent in present military phase of Indo confrontation.

Step 4: Amb Bell and I proceed together to Djakarta for discussions with Sukarno and Subandrio in effort nail down whatever understanding may have been reached with GOM, whether it involves initiation of direct GOI–GOM contacts, implementation of AACC concept, or some other suggestion.

In conclusion, I wish to say that in suggesting Dept use Bell and me to connect wires between KL and Djakarta, I do so recognizing that this is thankless task and that I would welcome any alternative Dept or Amb Bell may have to suggest. Main point is that I consider it vital to get something underway soonest. Time, as I have said before, is not on our side.

**Jones**

## 95. Telegram From the Embassy in Malaysia to the Department of State<sup>1</sup>

Kuala Lumpur, December 17, 1964, 5:45 p.m.

731. Embtel 726 to Dept.<sup>2</sup> There seems to be agreement that we should leave no avenue unexplored in effort take heat out of dispute and that we should make this effort in interest of (1) keeping Indonesia out of Communist arms, (2) trying avoid expansion our defense burdens in Southeast Asia, and (3) lifting confrontation pressures from Malaysia.

In addition views expressed reftel Dept may wish consider following additional points in determining nature and extent any US initiative:

1. Regardless of its nature Indos may interpret our initiative as sign of weakening determination and take it as proof that their strategy of applying military pressure to force Malaysians to negotiate is working. If this is their interpretation, atmosphere for negotiation unlikely be favorable. Malaysians and/or British would be at disadvantage from start.

2. Apparently underlying Amb Jones proposal is assumption that Malaysia-Indonesia dispute is source of worsening US-Indonesia relations. Corollary this assumption is that our intervention to promote settlement of dispute would lead to improvement our relations with Indonesia. I think we should consider alternative analysis that dispute not root cause our difficulties but rather a noteworthy reminder that US-Indonesian relations have been in long term declining trend for some time. If this be so (and Dept assessment of few months ago seems suggest Dept thinking in these terms), our support of Malaysia may simply have called attention to this trend somewhat sooner than might otherwise have been case.

3. In this regard it is possible that our difficulties with Indonesia stem basically from deliberate, positive GOI strategy of seeking to push Britain and the US out of Southeast Asia. If this is case, growing Indonesian alignment with Communist countries should be seen as outgrowth such strategy rather than as result of frustration over unsuccessful confrontation against Malaysia. Current intelligence reports, especially those covering Chen Yi's recent visit to Indonesia, suggest that GOI policy of at least tacit collaboration with ChiComs in SEA policy may indeed be of Indos own choosing. If this is situation, we should ask ourselves whether proposed new initiative in Malaysia-Indonesia dispute truly offers hope of thwarting rise of Communist influence over or in Indone-

<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret; Priority. Repeated to Bangkok, Canberra, CINCPAC, Djakarta, Kuching, London, Manila, Singapore, Tokyo, and Wellington.

<sup>2</sup> See footnote 5, Document 94.



sia, or whether it will merely encourage Indo belligerence while sapping morale of Malaysians and perhaps of other SEA countries. (Believe this view held by both UK and Australia.) Way we handle new intervention should be shaped in light our whole range of objectives in Southeast Asia. What we are up against now is problem of reconciling our objectives towards Malaysia, Indonesia and SEA as a whole. While it is extremely important to do what we can to rescue situation in Indonesia, it also important to ensure viability Malaysia and continued ability British to play their vital security role in this region.

**Bell**

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**96. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, December 18, 1964, 8:18 p.m.

554. Djakarta's 1144 (Notal).<sup>2</sup> Dept shares your concern over worsening situation in Indo and concurs your proposal for full review with Sukarno when you see him Dec 19.

We not optimistic that any initiative open to us at this stage will be sufficient induce Sukarno to ease confrontation or even refrain from further moves against US interests in Indo. Conceivable, although doubtful, that combination adroit handling and pressure of events could make him trim his sails at this point. In any event, we agree every effort must be made. We believe, however, that points made in Kuala Lumpur's 731<sup>3</sup> are valid. Sukarno will certainly attempt exploit any initiative on our part and will do his best interpret it as sign other side is weakening.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON–US. Secret. Drafted by Ingraham, cleared by Rusk, Harriman, Green, and McGeorge Bundy, and approved by William Bundy. Repeated to Kuala Lumpur, London, and Canberra.

<sup>2</sup> In telegram 1144 from Djakarta, December 18, Jones reported that he planned to see Sukarno over the weekend for a frank discussion with him to avoid a chain of events which could result in "virtual elimination of US from Indon scene." (Ibid.) To prevent this eventuality, Jones wanted a personal message from President Johnson to Sukarno, an offer of the use of Walter Reed Hospital for treatment of Sukarno's illness, an invitation for Sukarno to come to Washington in the spring of 1965 for a working visit with the President, and a statement of U.S. willingness to assist in the Malaysia dispute along the lines of Document 94.

<sup>3</sup> Document 95.

One thing we must avoid is commitment to Sukarno (or proposal he would twist into commitment) which we cannot fulfill. We would also have to consult Malaysians and British before undertaking any explicit move aimed at reopening negotiations. Malaysians and British almost certain reject out of hand any formula that would require them start substantive talks with Indos in return for moratorium on incursions limited to specific time period. Open-ended moratorium would probably be salable without further conditions (i.e., academic insistence on withdrawals) but we cannot guarantee this or give Sukarno grounds for claiming our guarantee. Following approach has not been discussed with British or Australians and we would not propose do so until Sukarno response known.

When you see Sukarno, you should proceed along following lines:

1. Tell him you have been instructed to convey following personal message from President:

a. President has noted with concern recent reports regarding Sukarno's health. He extends his best wishes for speedy full recovery and hopes current difficulties will in no way impair Sukarno's continued leadership Indo people. If Sukarno and his doctors believe it would be helpful, President would be pleased provide services of appropriate US medical specialist to travel Indo to assist in diagnosis. FYI. You should take no initiative in offering US medical facilities. For various reasons, including responsibility for life of such a sick national leader, we prefer that Sukarno not come US for treatment. If specialist visits Indonesia, he will be similarly instructed. If Sukarno raises matter, however, you should respond that you would be happy inform USG of his interest and are confident USG would do whatever it could to be of help. End FYI.

b. President is concerned over present state US-Indo relations and is anxious reverse unfortunate trend of past few months. He understands Sukarno is considering visit to New York World Fair next spring. If so, and if conditions otherwise appropriate, this would provide excellent opportunity for friendly review our mutual problems. Sukarno might consider visit at time official Fair re-opening in order officiate at opening Indo pavilion. Following that, President would be happy welcome him to Washington for informal talks, subject to unforeseen circumstances which might affect schedule of either one.<sup>4</sup>

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<sup>4</sup> In a memorandum to McGeorge Bundy, December 18, William Bundy stated that he had in mind for Sukarno "nothing more than a noon call followed by a small luncheon. This would fit the kind of courtesy we would show any head of state who turned up for the World's Fair." William Bundy continued that "our medical reports make it sound at best 50-50 that Sukarno will be around then," still Bundy thought an offer of a visit could have a favorable effect for the present. (Johnson Library, National Security File, Country File, Indonesia, Vol. III, Memos, 9/64-2/65, [2 of 2])

2. In regard to Indonesia-Malaysia dispute, you should tell Sukarno (stating you doing so on instruction if you believe this useful) that we continue to be more than willing to assist Sukarno in finding honorable solution to the problem which exists between him and Malaysia. In our opinion, what is preventing negotiated solution at this point is fact that continuation hostile actions by Indonesia against Malaysia has led GOM, HMG, GOA to believe that, despite public protestations to contrary, Indonesia does not really want to settle the problem. We feel that if Sukarno would quietly cut off hostile action a new atmosphere would be created in which hopefully we would be able to work effectively to encourage negotiations. We cannot estimate how long this would take, but would watch situation closely and plan to keep in touch with Sukarno on it. You should emphasize, however, that we are simply unable to encourage anyone negotiate in this situation under present circumstances.<sup>5</sup>

**Ball**

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<sup>5</sup> In telegram 1182 from Djakarta, December 24, Jones reported that he had a 1½ hour private talk with Sukarno that provided a full opportunity to discuss problems. The President's message and the offer of trip to Washington was "most helpful in establishing favorable atmosphere." (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 15-1 INDON)

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**97. Memorandum From James C. Thomson, Jr., of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, December 28, 1964.

**SUBJECT**

Replacement for Howard Jones in Indonesia

It seems to me that Sukarno's plea in Djakarta's 1183<sup>2</sup> requires a speedy Presidential response. I assume you may want to discuss this at the Ranch tomorrow. Here are two possible courses of action.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. III, Memos, 9/64-2/65, [2 of 2]. Secret.

<sup>2</sup> In telegram 1183 from Djakarta, December 24, Jones reported that at the conclusion of his conversation with Sukarno, the Indonesian President asked if Jones' tour of duty could be extended for 2 years as Sukarno "found it difficult to think of doing business with anyone else." (National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US)

A. If, as you suggested, the President is having second thoughts at letting Howard go, my own preference would be for us to be moderately forthcoming in the following manner:

1) The President should inform Sukarno, by letter, that he has checked with Jones and the East-West Center and has arranged a six-month delay in Jones' retirement.

2) He should express his deep concern over the state of U.S.-Indonesia relations and his hope that we can use Howard's final six months as a period in which to reverse the present deteriorating trend. Despite our desire for better relations, however, things simply cannot improve so long as the Indos pursue confrontation through raids against Malaysia. We cannot be helpful while aggression continues in any form; in the absence of aggression, we stand ready to be of assistance, etc.

(*Rationale:* There is no point in ridding ourselves of an asset like Jones at a critical time in Indonesia's internal development when Sukarno may well disappear from the scene. Howard knows all the rival leaders; he is also one of the few non-Marxists who still has regular access to Sukarno. There is also no point in turning down Sukarno's personal request at a time when we haven't yet found the ideal replacement.)

B. If, in the President's judgment, Howard should still move out on schedule, I would urge that a speedy decision be reached on his successor—and communicated through a conciliatory personal letter from the President in response to the present plea. I do not believe that Beam is the right man for the stormy period ahead. Ideally we need a man of warmth, vitality, and shrewd political sense, fast on his feet, with a personal tie to the President.

The following names are the unrefined product of my Christmas ruminations:

a) If we choose someone from inside the Service:

Henry A. Byroade (now Ambassador to Burma). Byroade's assets are a West Point background, extensive service in the Far East, a stint as NEA assistant secretary, good political instincts, an engaging personality. He struck it off extremely well with Nasser in 1955-6 (too well for Foster Dulles, as you will recall). He has been sitting on his hands in Rangoon. He lacks the Presidential tie.

b) If we choose an outsider:

Franklin D. Roosevelt, Jr.  
Abram Chayes  
Pierre Salinger  
Eugene V. Rostow

(In two of these cases, Indonesia's Islamic cast should be borne in mind; not an insuperable obstacle.)

**Jim**

**98. Telegram From the Department of State to the Mission to the United Nations<sup>1</sup>**

Washington, January 15, 1965, 6:50 p.m.

1786. Ref: NY 2546.<sup>2</sup> Following summary available intelligence Indonesian military buildup against Malaysia compiled in INR transmitted for your info and background use.

*1. Indonesian Military Buildup Against Malaysia*

Over past four months Indonesia has committed considerable numbers regular military forces to the anti-Malaysia campaign. Large scale reinforcement currently underway in Indonesian Borneo, and, since mid-December, raids against mainland Malaysia have increased.

*2. Assault on Mainland Malaysia.* The Indonesian military has apparently formulated a plan for an amphibious assault on mainland Malaysia. The plan has reportedly been designed as a response should there be a British/Malaysian attack on Indonesian bases used in the infiltration effort. Reinforcements have been sent to Central Sumatra which may be destined for use in such operation, but no indications it actively preparing for such assault.

*3. Indonesian capability undertake major effort against mainland Malaysia* severely limited by lack sufficient continuing air cover, overall shortage transport, and extremely difficult logistic and supply problems. Difficulties encountered during early December joint services maneuvers, which included amphibious landing, probably made military and naval leaders aware Indonesian deficiencies in such operation.

*4. Activities Against Mainland Malaysia.* Since mid-December Indonesian bases opposite Singapore and mainland Malaysia have concen-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA. Secret; No Foreign Dissem. Drafted by Howard M. Federspiel of the Office of Research and Analysis for Far East, Southeast Asia Division, INR; cleared by Allen S. Whiting, Director of that Office, Cuthell, Louise McNutt (UN adviser in FE), William G. Jones, Deputy Director, Office of UN Political Affairs, IO; in substance by Clyde W. Snider of the Coordination Staff, INR; cleared in substance with Thomas M. Judd, Officer-in-Charge, United Kingdom Affairs, and Richard W. Petree, Officer-in-Charge of Japanese Affairs. Pouched to Djakarta, Kuala Lumpur, Manila, London, Canberra, and Tokyo.

<sup>2</sup> In telegram 2546 from USUN, January 8, the Mission requested information on the recent Indonesian military buildup along the Indonesian-Malaysian border and British Commonwealth measures to counter it. (Ibid.)

trated on infiltrating teams, varying from six to forty men, at various points along the western coast concentrating on Johore State. Several hundred persons, including Indonesian civilian volunteers, defectors from Malaysia, and large number of volunteers from regular Indonesian military and police units, located at these bases and available for infiltration. Since December 15, over a hundred persons have been infiltrated. All have been apprehended or killed by Malaysian security forces within days after they landed. We estimate raids of same magnitude will probably continue through January.

5. *Indonesian Buildup in Kalimantan.* At end December Indonesia reportedly intended increase its forces in Western Indonesian Kalimantan by three brigades. Component units from first brigade have already arrived. After reinforcements completed, probably mid-February, Indonesian forces estimated to number at least 12,500—an increase of at least 10,000 since November. Reinforcements apparently also planned in Eastern Indonesian Borneo although probably not on same magnitude as buildup western Kalimantan.

6. These forces will probably be used to infiltrate large teams in attempt gain control small pockets in Malaysian Borneo, possibly as basis for de facto recognition of a rebel government. Size of buildup suggests considerably larger infiltration attempt than a year ago when infiltration of up to 800 troops and volunteers created serious security problem in Sabah and Sarawak. While possibility of conventional attack against limited target cannot be entirely dismissed, problem of sustained air cover, supply difficulties, and certainly British retaliation would probably convince Indonesian military leaders not to follow such course. However, they may believe that infiltration of large units, possibly up to company size, would not prompt British counterstrike against Indonesian territory, and yet would be large enough to ensure capture and retention of territory.

7. Borneo operations probably still in planning stage, and probably will not occur until all reinforcements have been completed, possibly mid-February or early March.

8. *British Malaysian Countermeasures.* Over 60,000 army, navy and air force personnel are assigned to the British Far Eastern Command; overwhelming bulk committed to Malaysian theater of operations. This includes a reinforcement—now underway—of approximately 1,300 troops announced as part of a countermove against the Indonesian buildup in Indonesian Kalimantan. Malaysian armed forces number approximately 35,000 which, with units from Australia and New Zealand, brings Commonwealth strength to over 95,000.

Parallel with the buildup of troop strength, the Malaysian Government has imposed series security regulations which are designed to detect Indonesian infiltrations. In addition to regular air, naval and

land patrols these include curfews in coastal areas, prohibition on the movement of all boats at night in vulnerable areas, and organization of populace into vigilante groups to guard coast and strategic points and report movements of strangers.

These efforts have been uniformly successful in Singapore and mainland Malaysia. A number infiltration attempts have been stopped on beaches, and in some cases infiltrators have been picked up while still in boats.

In Borneo, with long land border, sparsely populated frontier, and jungle terrain, Indonesia's capability infiltrate raiders has always been greater than against mainland Malaysia. In the past Malaysian/British force have not been directed against initial infiltrations but have concentrated on elimination of raiders after they entered Malaysian territory.

*USUN.* USUN may draw upon paragraphs 1, 4, 5 and 7 in oral briefing Rolz-Bennett.<sup>3</sup> UK Embassy Washington has concurred in passing this info to Secretariat, but Mission requested advise Rolz-Bennett info being made available in strictest confidence. Dept reluctant pass information re Malaysian/Commonwealth countermeasures when information readily available UN Secretariat from Malaysian and UK missions.

**Rusk**

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<sup>3</sup> José Rolz-Bennett, Under Secretary for Special Political Affairs, UN Secretariat.

**99. Memorandum From James C. Thomson, Jr., of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, January 16, 1965.

**SUBJECT**

The Sukarno Problem

Cooper and I had a lengthy session with Dave Cuthell of State Friday<sup>2</sup> on possible actions we might take in response to Djakarta's 1358.<sup>3</sup>

State's preliminary view is that the situation is not quite as bad as Jones suggests; that it would be very risky to expend all our capital in a Presidential meeting with Sukarno outside the country (which would be used by Sukarno to push his self-image as the paramount leader of the Afro-Asian world); and that in any event such a meeting would treat only a symptom of the disease and not the disease itself.

Nonetheless, we are persuaded that a two-stage initiative might make good sense at this juncture: a brief trip by the Vice President to Manila, Kuala Lumpur and Djakarta sometime before mid-February (with Djakarta the focal point); and, if this first step brings any results, a meeting between the President and Sukarno in Hawaii sometime in April or May.

We believe that the situation *does* call for an early exercise in personal diplomacy, short of the Presidential level. If approved, a Humphrey visit should take place well before the Algiers conference, now scheduled for sometime in March—a conference at which Indonesia will certainly behave very badly. Judging by past experience, the Indos shape up rather well in anticipation of visits from our top brass. This

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. III, Memos, 9/64-2/65, [2 of 2]. Secret.

<sup>2</sup> January 15.

<sup>3</sup> In telegram 1358 from Djakarta, January 15, Jones recommended that in view of the deterioration in U.S.-Indonesia relations President Johnson invite Sukarno to meet with him in Washington. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 2 INDON) In a January 17 memorandum to the President entitled "Weekend Developments of Interest," McGeorge Bundy stated that "the cable [1358 from Djakarta] is interesting, but not wholly persuasive. Our preliminary judgment is that it would be better if Herbert should go to Manila, Kuala Lumpur, and Djakarta sometime in the next month (he would be much better than the Attorney General because it is closeness to you that counts now)." Since the receipt of Djakarta telegram, Bundy noted that Subandrio and Sukarno were more forthcoming, especially on the issue of USIS libraries. Bundy thought Humphrey's visit could prove a useful "time-gaining exercise." (Johnson Library, National Security File, Memos to the President, McGeorge Bundy, Vol. 8, Jan.-Feb. 1965)



might give us a respite during the period immediately before Humphrey's arrival; and if Humphrey gets anywhere with Sukarno, the visit might conceivably have some effect on the Indo performance in Algiers.

If the Humphrey visit goes smoothly, the Hawaii meeting might possibly be focused on some such gimmick as Howard Jones' installation as Chancellor of the East-West Center. The Center has been a long-time interest of President Johnson; and it would be feasible to hold a special convocation for Jones' installation to which Jones' pal Sukarno could logically be invited.

As a possible alternative to the Humphrey trip, we might also consider a first step of lower visibility and have Mike Forrestal test the climate in Djakarta.

As an alternative to the Hawaii meeting, we might consider a Presidential invitation to both Sukarno and the Tunku to come to Washington for talks—along the lines of his invitation to Papandreou and Inonu last year.

All this is very tentative and subject to a good deal more discussion at State. Cuthell is talking with your brother this weekend, and we hope to have a formal recommendation out of the Department by the middle of next week.

Jim

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**100. Note From the Deputy Assistant Secretary of State for Far Eastern Affairs (Green) to the Assistant Secretary of State for Far Eastern Affairs (Bundy)<sup>1</sup>**

Washington, January 20, 1965.

I think it would be sheer folly to have any presidential meeting with Sukarno except under terms we have previously approved. I don't want to belabor a point on which I gather you are agreed but here are a few considerations:

1. Sukarno is bent on a course of action from which he will not be dissuaded. Momentarily he might smile and do a few pleasant

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, EA/Indonesia Files: Lot 68 D 467, Political Affairs Relations—United States. Secret.

things but he would maintain his current course. This would be less than helpful to our President both at home and abroad.

2. A presidential meeting would be an open invitation for others to emulate Sukarno. It would show that the bad boys are the ones that get the attention. It would have *decisively* serious impact on countries like Korea, Vietnam and perhaps even Thailand and the Philippines as far as the Far East is concerned. God knows how the Africans would react.

3. We are anxious to have the British and Australians play a firm military role in Southeast Asia. We are also anxious to have their support for our actions in Vietnam, Laos and elsewhere. Merely to suggest a presidential visit to the British might be most harmful.

4. To favor Sukarno with a presidential invitation at this time would convince Sukarno all the more that he can play his pro-Communist iconoclastic role in world affairs without fear of reaction from the Americans nor indeed from the British since he would figure that the Americans would now exercise a restraining influence upon the British and Australians.

5. Jones' easy ambience with Sukarno is helpful but it has not and will not influence Sukarno's course of action. Nor will our aid or lack of aid influence Sukarno. What sets limits on Sukarno's course of action are:

- (a) Internal factors which are beyond our capability to influence;
- (b) Afro-Asian criticism of his confrontation policies, of his quitting the UN, etc.
- (c) Soviet reactions (e.g., Moscow can scarcely anticipate with pleasure another UNSC meeting on confrontation).

A presidential visit at this juncture while the above factors may be having a useful yeasty effect could upset the whole process.

6. Our President and Secretary continually use the line that we cannot have dealings with Communist China or admit it to the UN while Peiping pursues its present aggressive course in Southeast Asia. How can we reconcile this posture with a presidential meeting with a man who admits aggression against his Southeast Asian neighbors?

**Marshall Green<sup>2</sup>**

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<sup>2</sup> Printed from a copy that bears this typed signature.

**101. Memorandum of Conversation<sup>1</sup>**

Washington, January 22, 1965, 10 a.m.–12:40 p.m.

**PRESIDENT'S MEETING WITH CONGRESSIONAL LEADERS****PARTICIPANTS***Senate*

Senator Aiken  
Senator Dirksen  
Senator Kuchel  
Senator Long  
Senator Mansfield  
Senator Saltonstall  
Senator Smathers

*Executive*

Vice President Humphrey  
Secretary of State Rusk  
Secretary of Defense McNamara  
CIA Director McCone

*House*

Congressman Albert  
Congressman Arends  
Congressman Boggs  
Congressman Ford  
Congressman Laird  
Speaker McCormack

*The President's Staff**For Entire Meeting:*

McGeorge Bundy  
Lawrence O'Brien

*For Part of Meeting:*

Horace Busby  
Douglass Carter  
William Moyers  
George Reedy  
Jack Valenti

The President opened the conference with Congressional leaders by explaining why it had been called. He said that at the very beginning of the Congressional session he wanted to develop procedures which would make it possible for the Administration to think and plan with Congressional leaders. He was ready to be frank and candid in all matters but to do so the discussions must not get into the public domain. Real damage is done to the national interest when information such as that which will be given during the course of the morning meeting gets into the newspapers. The objective is to make possible an examination of our foreign policy and our defense structure by the Congressional leaders of both parties who are stewards of these policies. We do not separate Democrats and Republicans in Vietnam. He wanted to work with the legislative leaders in understanding, if not agreement, on both sides of the House and Senate. During the Eisenhower Administration the system of consulting Congressional leaders was

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<sup>1</sup> Source: Johnson Library, National Security File, Files of McGeorge Bundy, Miscellaneous Meetings, Vol. I. Top Secret. Drafted by Bromley Smith. The meeting was held in the Cabinet Room at the White House.

the best he had ever known. The meetings were not many, perhaps 4 or 5, but President Eisenhower, who had been blunt and frank with Congressional leaders, had asked for their judgments on important problems.

The President said the Chairmen of the Armed Services Committee and the Foreign Relations Committee had not been invited to this morning's meeting because he wished to limit this conference to very few persons. At a later date it will be possible to enlarge the number. Secretary Rusk had already briefed the Congressional committees on foreign policy. Secretary McNamara would be going to the Hill later to spell out our defense posture, part of which had already been made public in the Defense message sent to Congress.

The President said he was available for personal meetings with individual legislative leaders at any time.

[Here follows discussion unrelated to Indonesia-Malaysia.]

In addition to our problems with Nasser, the President continued, we are having trouble with Sukarno. Our Ambassador in Indonesia, who is one of our ablest, believes the only way to get Sukarno to turn away from his current policies, which are disastrous for the political and economic future of Indonesia, is to invite him to come here to meet with me. Ambassador Jones says we must appeal to the vanity of Sukarno in a final effort to halt him before it is too late. Ambassador Jones, in his cables, gives us a different picture of what is going on in Indonesia than appears in the newspapers.

[Here follows discussion unrelated to Indonesia-Malaysia.]

Secretary Rusk then discussed the situation in Indonesia. Sukarno is deep in domestic difficulties. His "confrontation" with Malaysia is possibly an attempt to divert attention from the serious local problems which he has not been able to solve. The United States is not going to take over the Malaysia problem because it is primarily a British problem. The British, already deeply committed, have sent substantial military force into the area. Sukarno will probably not push his "confrontation" policy to the point of undertaking major military actions. One new element is that knowledge of Sukarno's illnesses has become widely known and the succession problem is being discussed publicly in Indonesia. Although the United States has investments amounting to one-half billion dollars in Indonesia, any attempt to blackmail us by threatening to confiscate these investments is not a possibility. Sukarno now obtains \$125 million dollars annually in foreign exchange from these investments which he would be unable to do without. These foreign exchange resources would be lost if he moved in to take over the oil companies. The only U.S. aid we are now giving to Indonesia consists of funds to pay for military training. We feel such training is in our interest because it helps to tie us closer to Indonesian military

leaders, who may well play a major role in the decision as to the future political orientation of the country.

The President interrupted to say that all U.S. military assistance going to Indonesia is being provided because it is in our national interest, not theirs. He hoped that those present would make this point clear.

Senator Dirksen asked why the Australians are so upset about developments in West New Guinea. Secretary Rusk replied that the situation in West New Guinea is quiet. The Australians are concerned because if the Malaysian problem becomes more serious, there may be difficulties for them in West New Guinea.

[Here follows discussion unrelated to Indonesia–Malaysia.]

**Bromley Smith**

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#### **102. Telegram From the Department of State to the Embassy in the United Kingdom<sup>1</sup>**

Washington, January 25, 1965, 9:34 p.m.

4596. For the Ambassador. Please deliver following message from the President to Prime Minister Wilson:

“Dear Prime Minister:

I am writing to share some thoughts about the worsening situation in Indonesia, and to invite your comment on possibilities that have occurred to me here. As you will judge from the contents of this letter, the thoughts expressed have been very closely held within my government, and I am sure the same will be true in yours.

Sukarno’s withdrawal from the UN does not seem to us too serious in itself, and indeed may get him into serious difficulties during the year as he attempts to exert influence through the proposed Afro-Asian Conference. It is already clear that it has, if anything, worsened his standing in this circle.

Nonetheless, the recent events in Indonesia, both military and political, clearly point to the possibility of increased military action against Malaysia and of a further swing to the left in the internal

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<sup>1</sup>Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 7 INDON. Top Secret; Nodis. Drafted by Bundy, cleared with the White House, and approved by Rusk.

political balance. Even though these latter tendencies may have been checked for the moment, the power of the PKI seems to be growing steadily, whether because Sukarno actually encourages this or because he no longer has full control. Even if his health should hold up, the prospect seems to be that the left will gain steadily. If he should die or become incapacitated, the left is now in a strong position to move to take over. In short, Indonesia seems to be moving rapidly toward more aggressive policies externally and toward communist domination at home.

As you know, we have never been hopeful that negotiations or discussions with Sukarno would produce lasting solutions and get him back to work solving his serious economic problems and bringing the left under control. Nonetheless, I feel strongly that we cannot let Indonesia continue along its present path without exhausting every possible measure to turn it from catastrophe. Even if we are unsuccessful, we would have made every last effort we could make to prevent it.

Two possibilities have now occurred to me that might just help. One would be to take advantage of Sukarno's now-repeated statement that he would accept the findings of any four-power Afro-Asian Conciliation Commission. This has been stated in terms of findings of such a Commission with respect to the sentiments of the inhabitants of Sarawak and Sabah. It carried also the implication that he would accept a call by such a Commission for the cessation of Indonesian aggressive activities—infiltration in Borneo and the sporadic raids now being conducted against Malaya itself. I do not think we can now expect the Philippines to play a useful role in resuming the negotiating track that broke off in Tokyo last June. The Thai seem equally disillusioned. However, the Japanese have retained some modest influence in Jakarta and might be prepared to undertake a quiet initiative in this direction. During my recent talks with Sato,<sup>2</sup> it was clear that they were quite willing to do whatever might be helpful, although I most specifically did not urge that they take on this particular job at the moment. I wonder now whether this may not be worth a try.

I see all the difficulties, and of course the Tunku is quite right in insisting that actions are needed rather than words on the Indonesian side. But it seems to me that there is just enough hope in the recent indications to warrant another try.

My second idea is a much more far-reaching one, and I am sure you will not misunderstand my purpose in putting it forward for your reaction. Plainly, it would require the closest consultation with you and careful preparations with the Tunku.

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<sup>2</sup> Eisaku Sato, Prime Minister of Japan.

Briefly, it has long been my judgment that Sukarno set great store by his personal relationship with President Kennedy. The rapport which appears to have existed between the two men did not change the basic direction of Sukarno's policy, but was certainly of value as a point of contact with the Indonesian President and may have had some moderating effect on his actions. Sukarno's personal vanity is maddening; but it may be a possible handle that might be turned to use. I have never met Sukarno and there is the possibility that we could use an official visit to the United States as a tactic to appeal to this vanity and at the same time provide an opportunity to divert him from his current path. The invitation in itself would confront him with a dilemma. His vanity and an acute sense of Indonesia's importance in the world would argue for acceptance of the invitation. The PKI would probably oppose the visit with every resource at its disposal. We might, therefore, drive a small wedge between Sukarno and the PKI, and his acceptance of the invitation would be from the outset some indication of his receptivity to the counsels of moderation. I have already told Sukarno, through Ambassador Jones, that I would be prepared to receive him—as I would any other foreign Chief of State in a like situation—if he should come to New York in connection with a reopening ceremony at the Indonesian pavilion at the New York World's Fair. Such an occasion would not arise before late April or May in any event, however, and I do not believe it could well serve as the occasion for really tough and serious discussions.

Accordingly, I have given thought to the possibility that I might invite him to visit the United States and to see me in the fairly near future, on the basis of what we would call an official visit, with some ceremony but with the greatest possible stress on direct discussions.

Again, I am well aware of the difficulties surrounding such a proposal. We would have to take every possible measure to be sure that it was not understood as an attempt by the US to obtain a compromise of the Malaysian dispute at the expense of the legitimate interests of Malaysia. Rather, we would make clear that our objective was quite simple—to have the opportunity for personal discussion and to stress our well-known view that it is in Sukarno's and Indonesia's own interest to call off confrontation of Malaysia and to turn the attention of Indonesia to the solution of its tremendous economic and political problem. You can well see that it would be essential from my own standpoint to make this position entirely clear to Congress and to our own public opinion, which would undoubtedly have great initial difficulty in understanding the purpose of the invitation.

There are many other arguments which I need not review with you in detail.

I re-emphasize my awareness of all the considerations arguing against this proposal, and recognize that it may prove as fruitless as

other past efforts have been to change the course of Sukarno's policies. Nonetheless, Sukarno is today Indonesia, and I believe we should explore every possible avenue to reach him and influence him as a man.

I should be most grateful for your comments and counsel.

Sincerely,

Lyndon B. Johnson"

Rusk

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**103. Special Memorandum Prepared by the Director of the Office of National Estimates of the Central Intelligence Agency (Kent)<sup>1</sup>**

No. 4-65

Washington, January 26, 1965.

**SUBJECT**

Principal Problems and Prospects in Indonesia

**SUMMARY**

We are now faced not only with known and growing danger from Sukarno, but with the uncertainties of a possible Indonesia without Sukarno. If this ailing dictator should indeed die in the near future, his bequest to Indonesia would be international outlawry, economic near-chaos, and weakened resistance to Communist domination. Yet if Sukarno lives on for some time to come, the chances of the Communist Party (PKI) to assume power will probably continue to improve. We do not believe that a Communist Indonesia is imminent, or that Sukarno will initiate war. In our view, however, there is sufficient chance of such developments over the next year or two to warrant especial US intelligence and planning attention.

The beginnings of a scramble for succession to Sukarno are already evident. Should Sukarno leave the scene in the near future, we believe that the initial struggle to replace him would be won by Army and non-Communist elements, though Communists would continue to play an important role. Such a government would probably continue to be

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. III, Memos, 2/64-2/65, [2 of 2]. Secret.



anti-US, xenophobic, and a threat to peace. Furthermore, unless the non-Communist leaders displayed more backbone, effectiveness, and unity than they have to date, the chances of eventual PKI dominance of Indonesia would quickly mount.

For the near future, Sukarno will almost certainly continue his Confrontation policy. He might sharply increase the level and intensity of Indonesian pressures against Malaysia, precipitating war with UK and Commonwealth forces; we believe it more likely, however, that he will continue present patterns of infiltration and occasional military probes, using large troop buildup and inflammatory threats essentially for diplomatic blackmail.

Sukarno will probably take various rash actions to lessen his remaining ties with the West and to continue his dalliance with Peiping. He apparently believes that long-run trends are working to weaken US/Western influence in Southeast Asia, that this provides Indonesia with the opportunity for considerable profit, and that division of the spoils with Communist China is a problem which can be safely managed at some later date. If persisted in, these views will prove ill conceived and costly, susceptible of upset by UK/US force, Chinese Communist guile, and domestic deterioration.

[Here follows the 12-page body of the memorandum.]

For the Board of National Estimates:

**Sherman Kent**

*Chairman*

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#### **104. Memorandum From the President's Special Assistant for National Security Affairs (Bundy) to President Johnson<sup>1</sup>**

Washington, January 30, 1965.

##### **SUBJECT**

Reply from Prime Minister Wilson on Indonesia<sup>2</sup>

1. Harold Wilson's long answer to your letter about a Sukarno<sup>3</sup> visit has just arrived. As we rather expected, he takes a very dim view

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President, McGeorge Bundy, Vol. 8, Jan.–Feb. 1965. Top Secret.

<sup>2</sup> Dated January 30. (Ibid., Head of State Correspondence, Prime Minister Wilson, Vol. I)

<sup>3</sup> Document 102.

of it, and my brother and I believe that Dean Rusk will share our view that you would not wish to go ahead in these circumstances.

2. Wilson's argument is that a Sukarno visit to Washington would be regarded as a triumph for his confrontation policy in Malaysia, and in the UK, and in Indonesia. The British obviously doubt that we could turn him around in any serious way, and they point out—certainly correctly—that in the current state of British opinion and deployment, there would be very harsh criticism of us from the UK.

3. Wilson's letter also takes a very different view from ours of the future inside Indonesia. They obviously think the army will prove stronger than the P.K.I. when Sukarno leaves the scene. If this is true, it is most encouraging, and it is worth a second look here.

4. This message ties in quite neatly with the problem of getting Lodge to the Far East. Our thought now is that you might invite him to go as an informal representative to Kuala Lumpur and Djakarta and that from those points he could easily be invited by Max Taylor for an informal visit in Saigon. The whole expedition could be purely a matter of "having a look," and could be compared quite smoothly to his earlier visit to third countries on behalf of Vietnam. This does not call for a decision until I get back from Saigon, but I think it is quite a good idea for the latter part of February. Lodge is alert and ready to go whenever you want him.

5. All this of course is separate from the proposed Bunker appointment, which will take a little longer and which would be neatly balanced, in a sense, by having Lodge take an informal travelling look-see that could include reassurances to the Malaysians.

McG. B.<sup>4</sup>

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<sup>4</sup> Printed from a copy that bears this typed signature.

**105. Telegram From the Assistant Secretary of State for Far Eastern Affairs (William Bundy) and the President's Special Assistant for National Security Affairs (McGeorge Bundy) to the Ambassador to Indonesia (Jones)<sup>1</sup>**

Washington, February 11, 1965, 0049Z.

CAP 65036. CAS Djakarta pass to Forrestal<sup>2</sup> from Bundys.

Glad you will have further talk with Sukarno. Regard occasion as valuable opportunity to express President's personal interest and concern and to probe as fully and frankly as possible Sukarno's intentions. Suggest that you tell him of President's deep regard for Indo people. Suggest you also express President's puzzlement and concern with direction of Indo-U.S. relations over past several months. President has held firm against rising tide of public and Congressional criticism and alarm regarding Indonesia. But President himself needs reassurance regarding Indo intentions, both privately from Sukarno through you and publicly through acts and words that would counter present impression of alienation between our nations.

Bearing in mind wide range of factors, we do not feel it possible or wise at this point to commit President to unspecified initiatives with Sukarno. We would rather not go beyond outstanding offer to receive Sukarno this spring if he comes to New York (Deptel 554 and Embtel 1182),<sup>3</sup> leaving question of initiatives until we can see some useful point of application. Suggest, however, that you and Galbraith express President's willingness to consider any thoughts Sukarno may have regarding ways to improve our relations and reduce tensions in the region.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. III, Memos, 9/64–2/65, [2 of 2]. Secret. Not sent over Department of State communications channels.

<sup>2</sup> Michael V. Forrestal traveled to Djakarta after serving on McGeorge Bundy's mission to South Vietnam in early February. Reports of Forrestal's discussions with Indonesian officials are in National Archives and Records Administration, RG 59, Central Files 1964–66, POL 7 US/Forrestal and POL INDON.

<sup>3</sup> Document 96 and footnote 5 thereto.

**106. Memorandum From Director of the United States  
Information Agency Rowan to Secretary of State Rusk<sup>1</sup>**

Washington, February 18, 1965.

**SUBJECT**

Indonesia: Possible U.S. Courses of Action

Anti-American activities in Indonesia, particularly those directed against USIS during the last six months, have created a situation that I can describe only as intolerable. I believe that American interests and our national dignity, not only in Indonesia but elsewhere, require that action now be taken to indicate that we will not allow such actions to continue unpenalized.

I realize that our long-suffering patience in these matters has been due in large part to our desire to keep Indonesia out of the communist orbit at virtually any cost, but it seems obvious that the Indonesian government is abusing our patience to its advantage—and thus our present predicament.

What is happening to USIS in Indonesia is obviously part of the much larger picture of U.S.-Indonesian relations. It is apparent that the Indonesian government has decided to apply to these relations its now well-established strategy of exerting a steadily-increasing pressure on the official and private interests of foreign countries with whose policies it does not agree with the expectation that it can force a change in those policies. At present, USIS has been singled out for special attention. We shall soon have nothing worthwhile left in the way of an information operation. The pressures now being brought to bear on American rubber estates in Sumatra indicate that these interests are next on the list. Just as in the case of the Dutch, beginning in 1957, and of the British, following the establishment of Malaysia in 1963, this trend will continue either until we make the desired concessions to the GOI or until nothing remains.

While USIS is rapidly being deprived of its capacity for effective programming, it would be a serious mistake to close down any of our operations voluntarily. Such an action would be interpreted by both our enemies and friends as a retreat and as knuckling under to communist pressure. And since no significant differences appear to exist between the Government of Indonesia and the Partai Komunis Indonesia insofar as immediate objectives are concerned, withdrawal on our part

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. III, Memos 9/64-2/65, [2 of 2]. Confidential. Copies were sent to Ball and William Bundy.

could only encourage further excesses against other American interests on the part of the government. Nevertheless, in view of the fact that USIS apparently has no future in Indonesia under present conditions, I am prepared to sacrifice a part, or even all, of our operation there if the Department is willing to take strong and immediate action (1) to protest what has happened to date, and (2) to put our opponents everywhere on notice that such actions inevitably have a price tag attached to them.

While superficially we appear to have little leverage with the Indonesian government, I am convinced that there are many courses of action open to us. The following come immediately to mind:

1. The top Indonesian representative available should be called in and bluntly informed that the activities which the Indonesian government has been tolerating, encouraging and even engaging in are contrary to established international and diplomatic custom and usage and that we do not intend to continue to suffer such treatment without retaliating. The press should be informed in advance that the Indonesians are being called in, and we should encourage as wide dissemination of the substance of our complaint as possible.

2. We should recall the U.S. Ambassador to Indonesia, making it clear publicly that we do not intend to replace him until we have had some satisfaction from the GOI.

3. Whatever remains in the way of a U.S. economic assistance program in Indonesia, including training, the supplying of spare parts, civic action, malaria eradication, etc., should be terminated immediately, with attendant wide publicity.

4. Although the GOI's information and cultural operation in this country is relatively small scale and hence cannot be equated with USIS in Indonesia, we should begin now to cut back certain of their activities here.

While the purely information operation of the GOI in this country has thus far been sporadic and largely ineffectual, the greatest activity has taken place in New York, as a part of the Indonesian Mission to the U.N. Following Indonesia's decision to withdraw from the U.N. we thought for a time that the GOI was planning to move this activity to its consulate general in New York, a supposition which was supported by the transfer of responsibility for publishing the Mission's bulletin, "News and Views," to the consulate general. However, the Permanent Mission resumed issuance of the bulletin under its imprint at the end of January. This obviously cannot continue after March 1, the date on which Indonesia's connection with the U.N. terminates. We do not yet know whether the consulate general will pick up the bulletin, or whether the embassy here will assume responsibility for its publication (as the consulate general information officer told one

of our people would be the case). However, the embassy here has recently stepped up the issuance of its own information bulletin from a sporadic to a regular basis of once a week. Samples of Indonesian information output in this country are attached.<sup>2</sup>

We are inclined to believe that with the departure of the Indonesian U.N. Mission from New York, the GOI will probably attach greater importance to the remaining Indonesian presence there than has hitherto been the case, primarily because of New York's importance commercially and as the seat of the United Nations headquarters, with its sizeable number of Afro-Asian representatives. Therefore, the presence of the Indonesian Consulate General in New York suggests some other interesting possibilities for retaliation. If our information operation in Surabaya is closed down, we should ask the Indonesians to withdraw their information people from New York.

If we deem it wise to close all USIS facilities in Indonesia and pull out our personnel, we should inform Indonesia that we are expelling all Indonesians engaged in informational, cultural, and other work of a nature done by USIA. This would include several Indonesians in Washington as well as some staff members in New York and San Francisco.

Because of the attacks on our Consulate proper in Medan and the harassment of our Consul in Surabaya, we ought even explore the question of whether we wish to close down our Consulate as well as the U.S. Information Service in Surabaya and in turn ask the Indonesians to close their entire New York operation.

I am fully aware that the recommendations that I have made are harsh, and that some would produce an angry reaction on the part of Sukarno.<sup>3</sup> I believe that the only alternative is for us to continue taking abuse with the result that mob attacks will become the order of the day all around the world because government officials with grievance against us, or acting under communist pressure, will figure that they can get away with it.

**Carl T. Rowan<sup>4</sup>**

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<sup>2</sup> Not attached to the source text.

<sup>3</sup> In a memorandum to McGeorge Bundy, February 19, Thomson noted that Rowan planned to see President Johnson that afternoon at 5:45 p.m. and Rowan might raise the issue of USIS in Indonesia along the lines of this memorandum. Thomson stated Rowan's position was "an over-reaction," a view shared by FE. Thomson also noted that Jones would return to Indonesia with the "toughest message ever communicated to the Indos, as a result of mob action." The USIS library in Medan had just been reopened, Djakarta's was in "temporary protective custody," and facilities at Jogjakarta and Surabaya were closed. If the President asked for Bundy's advice on Rowan's views, Thomson suggested that Bundy advise the President to "hold off any such rash response until Jones and Sukarno have a further confrontation." (Johnson Library, National Security File, Country File, Indonesia, Vol. III, Memos 9/64-2/65, [2 of 2])

<sup>4</sup> Printed from a copy that bears this typed signature.

**107. Letter From Michael V. Forrestal of the National Security Council Staff to the Ambassador to Indonesia (Jones)<sup>1</sup>**

Saigon, February 19, 1965.

Dear Howard,

I hope that by the time this reaches Djakarta, both you and Mary Lou will have returned.

First I want to tell you how deeply I appreciated your hospitality and your help during my visit. Second, I want to tell you how much I missed you during the last few days—especially at Boger. You will have seen the cable reporting my talk with the Bung.<sup>2</sup> Frank [Galbraith] will have filled you in on the peculiar circumstances. I have never had such a talk with the President before. We were both exhausted and we were alone virtually in the dark in that vast hall of the Palace. We conversed for about an hour.

The Bung was gloomy but restrained and very frank. Although I left depressed, I have since come to think that I caught a glimpse of the depth of this man's understandable frustrations. In particular, I am convinced that he would like to find a way out of his impasse with K.[uala] L.[umpur]. His difficulty is how to do it.

I don't know what we can do at this juncture to help him. I rather think it is something he will have to work out for himself.

I do have hope, however. My few talks in K.L. have convinced me that we are moving into a period where the circumstances on both sides will favor some form of negotiation. The Tunku is more confident, and therefore more reasonable by far, than he was last year. To some extent he finds confrontation politically useful; but he is also aware that it increases his political dependence upon the British which is beginning to irk him—particularly in his relations with Singapore.

In Indonesia I felt that almost every leader—except Aidit—really wanted a détente.<sup>3</sup> I can't estimate the mood of the population; but I

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. III, Memos, 9/64–2/65, [2 of 2]. Secret; Official–Informal. Copies were sent to William and McGeorge Bundy.

<sup>2</sup> Not found.

<sup>3</sup> In an official–informal letter, February 25, Jones told Forrestal that he agreed that most Indonesian leaders wanted a resolution of the Malaysian problem, but internal pressures from the PKI would make it difficult for Sukarno to follow through on his desire for détente. He also agreed that the U.S. Government should have made an effort to restart the negotiations before the pressures from the internal situation and the appeal of Hanoi and Beijing became so strong. Jones noted that the Embassy tried hard to initiate early action. As for telecommunications equipment for the Indonesian Army, Jones wanted to keep the U.S. commitment, but he feared that time was running out. (Washington National Records Center, RG 84, Djakarta Embassy Files: FRC 69 A 6507, Defense 19–B)

would suspect that the mass of them do not particularly care one way or the other. In brief, I think Nasution was wrong when he said that the political climate in both K.L. and Djakarta did not favor talks. I would hope that the current feelers would lead to a Tokyo meeting which would in turn lead to the appointment of a commission. This commission could talk and supervise direct talks for a very long time—during which both sides might reduce their activities along the border.

Incidentally, there was a possibly important item which I failed to report from K.L. Ghazali made quite a point about getting Subandrio to say publicly that there were no longer any guerrillas to be withdrawn from North Kalimantan. I admitted that the Indos had said this privately (Sukarno told me this himself); but he insisted that a public statement would go a long way to setting the stage for talks.

His reasoning apparently is that such a statement would remove the gun from the head of the Malaysians since it would in fact be a relinquishment of the Indonesian claim that there was a successful rebel movement in the two territories. Ghazali is so mercurial that I do not know whether to take him seriously; but if it were possible to get Subandrio or Jani to say that the question of withdrawal of guerrillas was no longer an issue, you might get a good response from K.L.

On the question of U.S.-Indo relations I am not optimistic—at least in the short term. One of the prices we have to pay for our actions in Viet-Nam is a certain amount of flak in Djakarta. These actions, I am convinced, have had a very salutary effect on confrontation in both K.L. and Indonesia. But there is inevitably some adverse side-effect.

Since, by the nature of things, we shall probably have to continue our pressures in Vietnam, I think we will have to face a period of tension while Sukarno tries to adjust to the situation. In a way it's a shame we didn't start sooner—i.e., before Sukarno got caught in his drift toward Hanoi and Peking.

Therefore, I am inclined to believe that we should reduce our presence temporarily. I realize that the P.K.I. will always find targets; but I don't think we should give them unnecessary levers on our own public opinion. Thus, I would get the AID mission down to a minimum and pull out our libraries.

On the other hand, I do think that we should let the Army have the Java portion of the telecommunications equipment we promised them. Not only would this tend to keep our lines clear to them; it would probably also help them in the event there were trouble with the P.K.I. on Java.

Generally speaking, I would try to make our reduction as quiet and normal-appearing as possible—I would also try to maintain as much flexibility in coming back in again when conditions improve—hopefully after a solution or abatement of the confrontation problem.



Well, many thanks again for all your kindness. My affectionate regards to Mary Lou—and to Frank and Martha.

Best of luck to you.

Sincerely,

MVF

P.S. I am sending copies of this to Mac and Bill Bundy just to let them know I am not sound asleep out here.

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**108. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, February 20, 1965, 12:39 p.m.

727. Crescendo of harassments against USG establishment in Indonesia, culminating in attacks on Djakarta and Medan libraries has brought us to stage where we will have to consider constricting our relations with Indos to minimum unless GOI takes prompt steps to halt depredations and restore situation. We recognize how this could conflict with our long-range interests in Southwest Pacific, but point is at hand where that consideration may have to give way to our inability tolerate such treatment. Question is not only one of US public outrage at Indonesian insults, but of virtual impossibility continuing do business with Indonesia under present conditions.

In line with recent expressions by President and Secretary of growing concern over mistreatment US diplomatic establishments abroad, we feel it necessary to respond in tangible manner to GOI directed or tolerated misconduct. For present we are holding up \$350,000 contribution to Bandung reactor, and are considering other appropriate measures. We will, of course, bear in mind in implementing these measures that large US private investment in Indonesia is potential Indo hostage, while we have no equivalent.

To lessen our exposure and to demonstrate our concern, AID will propose further substantial reduction in size of USAID mission in

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON–US. Confidential; Priority. Drafted by Ingraham; cleared by Cuthell, Poats, Thompson, Green, Gilbert H. Kinney of the Vietnam Working Group, and Harriman; and approved by William Bundy and Rusk. Repeated to Manila for Jones and CINCPAC for POLAD.

Indonesia. Proposals subject separate communications.<sup>2</sup> Question of MILTAG also under consideration.

With Ambassador scheduled return February 22, request Embassy advise Palace that he will be returning with instructions from USG and will seek appointment with Sukarno immediately upon return.

When Ambassador sees Sukarno, he should make clear he speaking under instructions and should convey following message in unmistakable terms: (a) USG, including President himself, views these inexcusable attacks on USG property with gravest concern, and fears they will completely destroy useful relations between us unless steps taken not only to halt them but to restore situation; and (b) as minimum, we must insist that all forms discrimination against US diplomatic community and violations accepted diplomatic standards cease immediately (Ambassador knows what they are and should cite them).

In ensuing discussion, Ambassador should draw on following points, conveying them in manner best suited to atmosphere but indicating that they being made under instructions:

1. Treatment USG properties and violations our diplomatic privileges has gone far beyond stage any sovereign country can be expected accept. Despite this, USG has hitherto exercised greatest restraint because of our sincere desire prevent relations from further deterioration and because we have been relying on repeated GOI assurances that seized properties would be returned to us and harassments halted. These assurances so far have proved valueless.

2. Sukarno and other GOI leaders have attempted portray these excesses as expressions spontaneous anger at US policies for which GOI cannot be held responsible. We cannot accept this portrayal, which in effect asks us to acknowledge that Sukarno and GOI have lost control in their own country. Facts are clear that GOI itself has taken lead in creating this deplorable atmosphere, not only by failing to speak out for law and order but by publicly condoning and endorsing mob violence.

3. GOI leaders have ventured suggest that USG must itself share in task of halting these excesses by modifying its policies in FE. We cannot believe this suggestion advanced seriously. We prepared at any time to discuss our policies with GOI, explain our motives, and listen to GOI views. These excesses, however, do not add to our appreciation of GOI viewpoint and interests but diminish it to vanishing point.

4. We particularly regret that Indonesians have used Viet-Nam situation as excuse for latest series of outrages. We know GOI disagrees with our Viet-Nam policy. However, such disagreements must in no way be allowed to result in destruction or violation of diplomatic,

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<sup>2</sup> Not further identified.

consular or any other property. Our actions in Viet-Nam stem from our firm commitment to help South Viet-Nam defend itself against outside aggression, and we determined to continue doing whatever is found necessary to meet that commitment. No actions by GOI or Indonesian mobs are going to change that situation to slightest degree, and we are sorry to see GOI sacrificing our bilateral relations in fruitless, undignified efforts to do so. (If Sukarno takes this opportunity to debate our Viet-Nam policy, you should draw on Depcirtels 1441, 1442, 1443, 1449 and 1467<sup>3</sup> in response.)

5. We have now reached critical watershed in our relations with Indonesia. We want better relations and we prepared do whatever we reasonably can to achieve them. At present, however, we are at point where we can do no more unless GOI responds by promptly restoring conditions which will permit us deal with each other under tolerable conditions.

**Rusk**

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<sup>3</sup> Dated February 7, 7, 7, 8, and 11, respectively. (All in National Archives and Records Administration, RG 59, Central Files 1964–66, POL 27 VIET S)

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#### **109. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, February 22, 1965, 5 p.m.

1643. Ref: Deptel 727.<sup>2</sup> While we agree with analysis reftel, Country Team seriously concerned that line Ambassador instructed take with Sukarno will worsen rather than help basic situation. Recent deplorable attacks US installations here are reflection rather than cause fundamental US–GOI problem. Debate with Sukarno on Viet-Nam and other policy issues along lines reftel is not only futile but will just anger him and probably increase our troubles. Country Team convinced day when we can profitably try to argue Indos into accepting our viewpoint on major world issues is, for the moment and hopefully temporarily, past.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON–US. Secret; Immediate. Repeated to CINCPAC for POLAD. Upon receipt, passed to the White House, Defense Department, and CIA.

<sup>2</sup> Document 108.

Believe we should "agree to disagree" with GOI on China, Viet-Nam, Malaysia, Congo, etc. We can, of course, discuss these problems but would be futile to lay our prestige on line by attempting convince them we are right and they wrong. Believe, however, we can and should attempt turn present unfortunate situation to some advantage by shifting dialogue onto preservation our bilateral relationships and seeking actions best designed to do this.

Following additional factors underlie Country Team thinking:

1. If we seem attack and threaten Indos along lines reftel they will react adversely and irrationally. We will not convince them, merely aggravate them. Situation will continue to worsen, perhaps to breaking point.

2. With no real capacity for retaliation against Indo installations in US, we only increase danger to our own establishment here by vague threats and admonitions. We believe it important that USG retain foothold in Indonesia. If present trends continue we will be put in position sooner or later where we will have little alternative but to retaliate against some Indo installations in US. Resulting tit-for-tat exchange could eliminate US from Indonesia. As Dept aware, Indos are hypersensitive in dealing with big Western power and perfectly capable cutting own throats if they believe they being pressured.

3. We support delay in \$350,000 contribution to Bandung reactor but fact remains it is limited lever over Sukarno, whereas if used punitively it will only hurt and antagonize some of our friends here (especially Siwabessy). Unilateral reduction size USAID as punitive measure similar. If this to be done believe we should do it in way which gets at least some mileage from GOI.

4. Despite what Sukarno, Subandrio and others have said, evidence is clear they do not want our USIS libraries, at least as they now function, and have little interest in USAID. Same is probably true other parts US installation. Indos seem be reaching point at which they "tolerate" our programs because they think we want them and because up to a point they want to avoid antagonizing us further. Reftel seems imply we should press for physical protection existing establishment by GOI. We agree but believe we should also examine that establishment more closely to reduce difficulty of protection.

5. Would be unrealistic for us to insist on retention USIS libraries or other aspects our programs directed toward Indo people when they are in such marked contrast with what GOI is telling its own people. GOI has given us clear signal on these libraries. We should recognize it.

6. Despite our policy differences with GOI, Country Team believes constructive discussion is possible and necessary regarding our bilateral relations. We believe Sukarno and many of his top aides want avoid break with USG. Reasons for this complex but probably include

(a) fact that US is major world power as well as power in Pacific; (b) GOI view that USG may at some point be useful in exerting influence on Brits; (c) belief US is still potent source aid; and (d) though this seems be diminishing possible belief USG is useful as counter-ploy to Communist China. Sukarno's often expressed and we believe sincere friendship for Americans as individuals also should not be overlooked.

7. As result above analysis, Country Team believes our objectives should be (a) quietly to reduce hostages (especially unengaged people in USIS aid and MILTAG); (b) eliminate those parts our establishment which have become useless to us and source profitless friction with GOI; and (c) try to convince Indos it in our common interest to carry out (a) and (b) above in rational and orderly manner and in way that will preserve our future bilateral relationship.

8. Approach which seeks reduce our presence here may actually stimulate Indos to help preserve as much of our establishment as possible. Our apparent readiness to take initiative may shock some Indos into believing we are preparing to abandon them. This could rebound to our benefit. Continued effort by us to avoid reductions in establishment likely strengthen hand those who seek total elimination USG presence.

To summarize, Country Team and I believe attacks on US installations and other recent GOI actions are signal Indos do not want us here in strength and form we now have. This not to say attacks in any sense justified or should be condoned. What we mean is that discussion should not be restricted solely to attacks and ostensible reason for them (Viet-Nam). Rather these should be used as springboard for far-reaching exploration seeking rational and realistic basis for continued USG-GOI relations. Numbered paras 1, 2 and 5 in instructions (reftel) seem fit within this framework. Paras 3 and 4 would, I believe, be counterproductive. I therefore urge Dept amend my instructions and authorize me make following approach to Sukarno and Subandrio (I would hope see them together; if not I would go over same ground separately).<sup>3</sup>

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<sup>3</sup> In telegram 731 to Djakarta, February 22, the Department agreed to Jones' revised presentation subject to certain comments and observations. The Department believed that Indonesia had moved from "agreeing to disagree" to "riotsmanship" in its differences with the United States over Vietnam. The Department hoped that Sukarno "would not put the course of bilateral Indonesian-American relations in the hands of the Viet Cong." The Department hoped for a clearer idea of what part of the USIS program Indonesia was prepared to defend and warned that the AID programs in Indonesia were under increasing Congressional scrutiny and unless Sukarno desired termination or substantial reduction, there was no chance of Congressional agreement. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US)

1. (Same as numbered para 1 reftel.)

2. (Same as numbered para 2 reftel.)

3. These events have brought us to critical position. We want better relations and are prepared do whatever we reasonably can to achieve them. We believe GOI also wants maintain constructive relations with us. However this mutual desire endangers present situation in which we faced by intolerable attacks on our installations.

4. We believe we can and must seek position in which we can have honest policy differences without excesses. One phase of present problem may be GOI view that US presence in Indo too large and active and no longer reflects actual state our relations. Seems to us this is what GOI trying tell us by these repeated attacks on our installations.

5. If so we would like bring this into open so we can discuss on fal [full?] and frank basis; otherwise, continuation present trends may endanger more permanent aspects of our relationship. We fully willing discuss reductions and adjustments in our programs and installations if GOI believes these desirable. However we want to take these up in orderly way on government-to-government basis and not as result mob attacks. These attacks only complicate problem and make understanding more difficult. I would then seek draw Sukarno and Subandrio out on USIS and other US installations and programs along lines set forth above. I would stress need for facing problem openly and directly and would say that in view importance USG attaches to this issue I believe it essential we have joint understanding on these matters within 30 days. I would tell them I would report their views to my government and will want to discuss matter further. I would, of course, make no commitments at this time.

Foregoing message in which I concur was drafted by Country Team prior my return this afternoon and held for my signature. As Dept aware, I have long held out for maintaining as complete US presence here as possible, considering that closing down of USIS installations would be heralded as PKI victory and swiftly result in further clipping away of US presence as PKI tacticians turn the heat on Peace Corps, AID [*less than 1 line of source text not declassified*].

It is obvious, however, that if GOI does not want USIS to continue its activity in its present form, we as guests in country have no choice but to accept verdict. It is of vital importance to our bilateral relationship that if utility of USIS operation actually has diminished to point at which we are getting no returns on our investment, whatever adjustment is to be made should be made in manner to do least damage to totality of US position. This I and all of Country Team consider can only be done by full and free frank discussion with Sukarno and Subandrio without establishing atmosphere of threat or implied punishment.

USITO 132<sup>4</sup> reporting USIA Director Rowen's views being answered separately.

Jones

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<sup>4</sup> Not found.

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## 110. Memorandum Prepared for the 303 Committee<sup>1</sup>

Washington, February 23, 1965.

### SUBJECT

Progress Report on [*less than 1 line of source text not declassified*] Covert Action in Indonesia

#### 1. Summary

Since the summer of 1964, [*less than 1 line of source text not declassified*] has worked with the Department of State in formulating concepts and developing an operational program of political action in Indonesia aimed at bolstering the more moderate elements in the Indonesian political spectrum to counter the growing power of the Communist Party of Indonesia (PKI). This program has been coordinated in the Department of State with the Assistant Secretary for Far Eastern Affairs and with the U.S. Ambassador to Indonesia.

The aim of this political action program is to reduce the influence on Indonesian foreign and domestic policies of the PKI and the Government of Red China and to encourage and support existing non-Communist elements within Indonesia. The program envisages continuation of certain activities which have been undertaken previously on a developmental basis plus other new activities which appear now to offer

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<sup>1</sup> Source: National Security Council, Special Group/303 Committee Files, Subject Files, Indonesia. Secret; Eyes Only. In a brief attached note, March 4, [*text not declassified*], the NSC staff member on loan from the CIA, summarized this proposal as "[*less than 1 line of source text not declassified*] to chip away at the PKI and continue covert liaison and support to [*less than 1 line of source text not declassified*] and [*less than 1 line of source text not declassified*] personalities." [*text not declassified*] also stated that the proposal included the "up hill work" of exploiting factionalism and emphasizing traditional Indonesia mistrust of the Chinese mainland. He noted that "everyone concurs" and that Helms argued against any break with Sukarno because "whatever equities exist will be decimated without representation there." (*Ibid.*, 303 Committee Minutes, 3/5/65)

promise of success if implemented on a coordinated and sustained basis. The main thrust of this program is designed to exploit factionalism within the PKI itself, to emphasize traditional Indonesian distrust of Mainland China and to portray the PKI as an instrument of Red Chinese imperialism. Specific types of activity envisaged include covert liaison with and support to existing anti-Communist groups, particularly among the [less than 1 line of source text not declassified],<sup>2</sup> black letter operations, media operations, including possibly black radio, and political action within existing Indonesian organizations and institutions. The estimated annual cost of this program is [less than 1 line of source text not declassified]. These funds are available [less than 1 line of source text not declassified].

## 2. Problem

To counter the growing strength and influence of the Communist Party of Indonesia and Communist China over Indonesian foreign and domestic policies.

## 3. Factors Bearing on the Problem

One of the main factors bearing on the problem is the close affinity between the current objectives of Sukarno and Red China and the support provided to Sukarno by the PKI in contrast to the lack of coordination and common ground for action among the various anti-Communist elements within Indonesia.

### a. Origin of the Requirement

The requirement for a program of this type arose out of a series of discussions of the problem between Ambassador Jones and the [less than 1 line of source text not declassified] and between Ambassador Jones and officials of the Department of State and the CIA in Washington.

### b. Pertinent U.S. Policy Considerations

The program is consistent with U.S. policy which seeks a stable, non-Communist Indonesia.

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<sup>2</sup> On December 14, 1961, the Special Group (predecessor of the 303 Committee) agreed to spend [text not declassified] during FY 1962 "to support civic action and anti-Communist activities to be executed through [Indonesian] [less than 1 line of source text not declassified] instrumentalities" and [text not declassified] during FY 1962 and 1963 "to assist [less than 1 line of source text not declassified] in covert training of selected personnel and civilians, who will be placed in key positions in the [less than 1 line of source text not declassified] civic action program." (CIA Paper for the Special Group, December 11, 1961, and December 14, 1961, Minutes of the Special Group; *ibid.*, Subject Files, Indonesia and Special Group Minutes, 12/14/61)



*c. Operational Objectives*

Portray the PKI as an increasingly ambitious, dangerous opponent of Sukarno and legitimate nationalism and instrument of Chinese neo-imperialism.

Provide covert assistance to individuals and organizations capable of and prepared to take obstructive action against the PKI.

Encourage the growth of an ideological common denominator, within the framework of Sukarno's enunciated concepts, which will serve to unite non-Communist elements and create cleavage between the PKI and the balance of the Indonesian society.

Develop black and grey propaganda themes and mechanisms for use within Indonesia and via appropriate media assets outside of Indonesia in support of the objectives of this program.

Identify and cultivate potential leaders within Indonesia for the purpose of ensuring an orderly non-Communist succession upon Sukarno's death or removal from office.

Identify, assess and monitor the activities of anti-regime elements for the purpose of influencing them to support a non-Communist successor regime.

*d. Risks Involved*

Risks involved in this program include the possibility that were Sukarno to learn of its existence and to suspect that one of the objectives of the program is to weaken his control of Indonesian affairs, further deterioration of relations between Indonesia and the United States could result. An additional risk is the possibility that too blatant anti-PKI activity is likely to invite repressive measures on Sukarno's part, assisted by PKI attacks upon key anti-Communist leaders, with concomitant further disarray within the non-Communist groups. Nevertheless, it is believed that a program of this type should be attempted.

*e. Funding*

The estimated annual cost of this program is [less than 1 line of source text not declassified]. Funds are available [less than 1 line of source text not declassified] to support this program.

*f. Support Required from Other Agencies*

No support will be required from other agencies other than that normally deriving from Country Team cooperation in the field.

*g. Timing of the Operation*

[less than 1 line of source text not declassified] has been developing active relationships with leading nationalist personalities [1 line of source text not declassified]. Through secure mechanisms some funds have been

given to key personalities to bolster their ability and their resolve to continue their anti-Communist activities which essentially are in the U.S. direction. The proposed operational program will be carried out as soon as approved.

#### 4. Coordination

This operational program has been approved by Assistant Secretary of State for Far Eastern Affairs and by the U.S. Ambassador to Indonesia. Continuing coordination of specific projects will be effected in Djakarta with the Principal Officer.

#### 5. Recommendation

It is recommended that the 303 Committee approve this program.<sup>3</sup>

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<sup>3</sup> The 303 Committee approved this paper on March 4. [text not declassified] of the CIA took the opportunity to urge "a larger political design or master plan to arrest the Indonesian march into the Chinese camp" based on the Maphilindo concept. He argued a major effort was required to prevent the United States from being excluded from Indonesia, suggesting that the loss of a nation of 105 million to the "Communist camp" would make a victory in Vietnam of little meaning. McGeorge Bundy stated that as a major political problem, Indonesia was receiving attention, but it "could not be settled in the 303 forum." (Ibid., 303 Committee Minutes, 3/5/65)

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### 111. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, February 24, 1965, 2 p.m.

1658. Pass USIA for Rowan, Bunce.<sup>2</sup> Ref: Deptels 727,<sup>3</sup> 731;<sup>4</sup> Embtel 1643.<sup>5</sup> Serious talk with Sukarno alone this morning (Subandrio had departed for Medan) resulted in repeated promises and protestations that he would "do his best" to improve operating conditions for Embassy here as well as bilateral US-Indonesia relations. His statements were accompanied by vigorous complaints re treatment he was receiv-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US. Confidential; Priority. Repeated to CINCPAC for POLAD and passed to the White House, Defense Department, and CIA.

<sup>2</sup> William K. Bunce, Deputy Director, Far East, USIA.

<sup>3</sup> Document 108.

<sup>4</sup> See footnote 3, Document 109.

<sup>5</sup> Document 109.

ing at hands US press and accusations of CIA participation in conspiracy against himself. In response my complaint that his previous orders to permit our access to USIS Libraries had not been carried out, he summoned his aide and gave specific instructions to local authorities to this effect. Following meeting I issued press statement reported TOUSI 195.<sup>6</sup>

Meeting was unique in that there was no banter, hardly opportunity for usual exchange of courtesies. Promptly at 0730 President excused himself from group of courtiers and we got down to business at once. I reviewed situation as it existed two weeks ago at time of my departure for Manila, reminded President of promises he had made at that time, deplored deterioration in Emb operating conditions and overall US-Indo relationships since then and made points in Deptel 727 as modified by subsequent exchanges with Dept. I put up forcibly the proposition as to whether GOI was going to let mob action destroy possibility of satisfactory bilateral relations. I said I knew Sukarno could control situation if he made the effort although some of my people were now beginning to challenge this. I told Sukarno that we took very serious view of situation, that my government, including President Johnson, views inexcusable attacks on USG property with gravest concern and fears they will completely destroy useful relations between us unless steps are taken not only to halt them but to restore normal operating conditions. In making points 1, 2 and 5 in Deptel 727, in order impress him with fact we had about reached point of no return, I drew reftel from my pocket and read him actual text of portions of it. I then went on to suggest that we had reached stage where some basic decisions were required. We could no longer continue on present basis. We recognized that we were guests in Indonesia. Despite fact that USIS Libraries were established with a view to improving relations and creating better understanding between our two countries, we appeared to have reached point at which these installations had become local point of contact [*conflict?*]. If they were in fact not helping relations but rather reverse, perhaps we should consider closing them down. It obviously made no sense to continue effort which, aimed at creating understanding, was being exploited by hostile elements uncontrolled by GOI to exacerbate relations between us.

I suggested that we both consider this possible course of action from point of view of what was best for US-Indo bilateral relations and if it seemed closing USIS installations was the answer, then decision should be reached on basis mutual understanding and implementation carried out in cooperative manner calculated to do least harm to our relations.

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<sup>6</sup> Not found.

President responded by nodding his head thoughtfully, indicating he wished to think matter over carefully. He said he would talk to me again about it in near future. I told him that conditions were currently intolerable and that I felt basic decision had to be reached in very near future as to whether libraries were to be closed and our books sent home or whether libraries were to be reopened. I reminded him that we had earlier discussed possibility of reopening Jogjakarta Library as gesture toward improved relations. I asked him to set a date for further discussion of this matter.

I then went on to summarize other harassments to which we had recently been subject, including specific mention of difficulties in utilization ALUSNA aircraft, harassment at airport in connection with receipt and delivery of APO mail, threatening circular letters addressed to American and Indonesian employees of Embassy and other unpleasantnesses. Under current circumstances, US Embassy was being harassed and discriminated against in violation of all international customs and usage to point where we could not conduct our normal business. I also mentioned Subandrio's trip to Medan and said that I had been informed that this trip represented first step in takeover rubber estates.

Sukarno vehemently denied this, said shoe was on other foot, that Subandrio was proceeding to Medan accompanied by Sudibjo of National Front, in effort to guard and protect American properties. As to other harassments, Sukarno said that he would do everything he could. As first step, he summoned his aide as reported above, and gave him specific instructions to notify local authorities in Jogjakarta, Surabaya and Djakarta that we should have access to USIS Libraries. At same time Sukarno said American Government was making it very difficult for him in his relationships with his own people because of our policies in Asia. I responded that America and Indonesia would be neighbors in the Pacific for centuries to come and that regardless of differences of views on such current issues as Vietnam, Malaysia, the Congo, etc. it seemed self-evident that it was in interest of both countries to maintain friendly bilateral relations and that these relations should not be impaired by mob action condoned by governmental authorities.

Sukarno admitted that he regarded action against USIS as retaliatory for US press attacks against him and Indonesia. He mentioned several examples to which he objected including recent *Newsweek* cover story. He said we always hid behind our freedom of the press but that unfriendly attacks on head of state by American journalists had same effect in Indonesia as demonstrations against USIS installations had in US. I pointed out obvious difference between two—Sukarno had the power to control press and mobs in Indonesia whereas our government

did not have the power to control our press which was reacting to unjustified attacks on American property. "Can't your people understand that I am hurt, personally hurt, by these press attacks?" Sukarno asked. I reminded him that some of the greatest idols in American history including Presidents Lincoln, Roosevelt and Kennedy had been maligned by American press. He was no exception.

I drew conversation back to practical situation which called for immediate remedy. I suggested that Sukarno make public statement clarifying GOI responsibility under international law for protection of foreign persons and property and reminding his people that disagreements between nations did not warrant such hostile actions as we were currently experiencing. I concluded by repeating that this situation could not be allowed to drift any longer and that I felt we should shortly reach discussion as to future of American presence in Indonesia. I urged him to consider seriously how USIS problem should be handled and requested further appointment to follow up our discussions today later this week. Sukarno agreed and set up appointment for [garble—meeting?] Feb 26.

Without committing himself specifically, he again promised to do everything he could to improve situation but asked me to appeal to USG to move carefully in Asia and to do anything we could do to improve unfair and distorted press treatment of Indonesia and himself.

Sukarno comments on CIA subject in separate telegram.<sup>7</sup>

**Jones**

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<sup>7</sup> In telegram 1662 from Indonesia, February 24, Jones reported that in his discussion with Sukarno, "I categorically denied that CIA was involved in any operations against him. I told him [1 line of source text not declassified]" that "his suspicions that CIA was working to topple him were absolutely unfounded." According to Jones, Sukarno was unconvinced, referring to the "invisible government." Sukarno stated that Jones was not a party to nor aware of these clandestine operations. When Jones asked Sukarno to show him documentary evidence, Sukarno retorted it was no use because anything Sukarno showed him Jones would claim was "no good." Jones concluded, "We left it at that." (National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON-US)

**112. Memorandum of Telephone Conversation Between the Assistant Secretary of State for Far Eastern Affairs (Bundy) and the Under Secretary of State (Ball)<sup>1</sup>**

Washington, March 2, 1965, 9:50 a.m.

SUBJECT

Indonesia

Ball said he thought we were creating an impression of looking undignified, and he thought we were going to ask Jones about his coming back.

Bundy said he had talked to the Secretary about this and explained his strong feeling that we are almost certainly headed for a very sharp cut-down in all our activities and we are going to announce our plans when they are clear. The way we do it makes a good deal of difference in whether we get back in at a later time and Jones' role at this point. Ball said he thought we should be taking the initiative in cutting down. Bundy said we are prepared to but we should do it as gently as possible for the time we move back in (presumably after Sukarno).

Ball thought these actions were hurting us in many other places. Bundy explained his visit to the Hill yesterday and there appeared to be no animosity as to the way the Dept was handling Indonesia. Ball said he did not think we had a program for reducing. Bundy said there was one and that it is just about racked up.<sup>2</sup> Ball said he would like to see it. A meeting was agreed on for today at 4:30 in Ball's office.<sup>3</sup>

Ball said he was disappointed in Jones' actions of late. He thought he was becoming too soft in order to go out with good relations. Bundy was not in complete agreement on this.

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<sup>1</sup> Source: Johnson Library, Ball Papers, Telephone Conversations, Indonesia, [4/12/64-11/10/65]. No classification marking.

<sup>2</sup> On March 4 USIA announced it was closing all USIA Libraries and Reading Rooms in Indonesia in the face of Government of Indonesia failure to restrain mob violence and its placing of the USIA operations "under conditions that we find intolerable." The text of the statement is in *American Foreign Policy: Current Documents*, 1965, p. 755.

<sup>3</sup> No record of this meeting has been found. At 7 p.m. on March 2 Ball talked on the telephone with Under Secretary of State for Economic Affairs Thomas Mann. Ball informed Mann that Bunker would be going to Indonesia for a special assessment of the situation, but he asked that Mann not reveal it because he did not want to give Sukarno "a kudo" when "he is kicking us to death." Ball informed Mann that "we are pulling USIA out on March 3. Mann stated that Moyers recommended that since Sukarno planned to take over U.S. oil assets in Indonesia, the U.S. needed an Ambassador there. Mann did not think the President was as firm on this as Moyers was and agreed to talk to Moyers about it. (Johnson Library, Ball Papers, Telephone Conversations, Indonesia, [4/12/64-11/10/65])

**113. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, March 4, 1965, 10 a.m.

1735. Ref: Embtel 1730.<sup>2</sup> Country Team and I have carefully considered possible retaliatory action against GOI and have reached following conclusions:

1. While there some chance serious discussions with influential Indos (particularly military) of what US can and will do unless GOI stops its harassments US installations would be effective, we doubt on balance that such a move would evoke desired response. On contrary it would probably only tend confirm and accelerate direction Sukarno and Subandrio have chosen for Indo policy, i.e. de facto and hopefully temporary alliance with Peiping and Hanoi. We not at all hopeful Indo military, faced with virtual ultimatum from USG, would take action to force change in GOI policies or personnel. More likely, they would be swept under in wave intense nationalism against foreign intervention propelled by personal emotionalism Sukarno, Subandrio and others.

2. On balance, we believe USG would lose more than it would gain by responding to GOI harassments in kind. While it might be self-satisfying for the moment to close Indo information programs in US, this would clearly preclude us from carrying on any info or cultural programs at our Embassy here. Similarly, economic retaliatory measures suggested reftel would not seriously affect Indo economy but would only drive Indos closer to Communist Bloc and accelerate take-over remaining US-owned enterprises (oil companies) here. Real punitive measures also highly inadvisable while we have so many hostages in Indo.

3. Only effective retaliation we have is in military field. Show of military force against Indonesia would undoubtedly impress Indos but would, of course, create whole new situation presumably calling for cashing by Indo of commitments ChiComs have allegedly made to them. Situation does not yet warrant taking that risk. Over longer run we believe military and other actions which show clear evidence US determination hold fast in nearby free world areas such as S. Vietnam, Thailand, Malaysia and Philippines will have salutary effect on Indo behavior.

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<sup>1</sup>Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON–US. Secret; Priority.

<sup>2</sup>In telegram 1730 from Djakarta, March 3, the Embassy prepared a list of 20 possible retaliatory actions for countering increasing Indonesian harassment of U.S. official operations in Indonesia as well as an estimate of probable Indonesian counter reactions. The list was in increasing order of severity. (Ibid.)

4. While we not in favor of punitive retaliation against GOI, do believe it essential we make rapid but orderly adjustments in our establishment and programs to reflect present inhospitable situation.

These matters are currently under thorough inter-agency discussion here and specific recommendations as to AID, USIS, Peace Corps, MILTAG, etc, will be forwarded separately.

Wish emphasize these adjustments should be on orderly basis without appearance this punitive action. Otherwise our problems will be increased and we will probably find it impossible get our equipment and material out. If Department concurs this course of action believe it important also that Congress be briefed fully and urged refrain from provocative statements which will only compound our problems here.

Important thing is to avoid dramatizing this reduction in way which may bring violent Indo reaction resulting in danger to US personnel and possibility of undignified route similar to British exit year and half ago.

**Jones**

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#### **114. Telegram From the Department of State to the Embassy in Malaysia<sup>1</sup>**

Washington, March 6, 1965, 2:03 p.m.

1428. Kuala Lumpur's 1109.<sup>2</sup> Department's attitude toward current motions in direction negotiation Indo-Malaysian dispute has been as follows:

1. We have continued believe bilateral contacts between senior officials of GOI and GOM could be useful to help locate areas within

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA. Secret; Immediate. Drafted by Cuthell and approved by Green. Also sent to Tokyo for Bundy and repeated to Bangkok, Djakarta, Kuala Lumpur, London, Singapore, and Canberra.

<sup>2</sup> In telegram 1109 from Kuala Lumpur, March 5, Bell suggested that Department officials talk to the British about an AACC in which Sukarno would choose Pakistan or Cambodia, the Philippines would designate Thailand at U.S. urging, and Malaysia would consider Nigeria as their candidate. (Ibid.)



which agreement possible, and to prevent Indos from claiming GOM avoiding settlement. We therefore encouraged HMG and GOA to support or at least not deter Razak–Subandrio meeting.

2. For same reasons we have not opposed Sukarno–Tunku meeting, subject qualification that at that level meeting would be less formal, would lose some of flavor of “contact” and would take on air of negotiation.

3. We have not wanted sponsor negotiations at this point because we think they will inevitably lead to some version of AACC idea, and we think it would be premature and perhaps dangerous for GOM to accept such vague concept until preliminary quiet contacts have established more precisely what is meant.

4. While there are advantages in AACC, as idea stands undefined at present, it has these dangers: Sukarno has publicly stated and reiterated that he will accept any solution proposed by AACC. This is fine public position, but at same time various Indo diplomats have recently confirmed what we have previously assumed, which is that Indos would insist that AACC work on basis consensus unless, of course, they had pro-Indo majority. At least Indo nominee would not accept position which too hard for GOI to swallow, and other Asians would be most unlikely incur Indo enmity by pushing too hard for such position. We thus feel we could rule out idea that AACC would confirm UN ascertainment and certify Malaysia as pure. AACC would be left with choice of recognizing inability reach agreement or of coming up with some new form of “testing will of people of North Kalimantan.” This being case, we think that what form this testing procedure would take must be worked out informally between GOM and GOI before concept accepted. Otherwise, GOM is likely to be faced with AACC recommendation for plebiscite which it might feel it had to reject, thus giving ball game to Sukarno.

5. As far as Phils are concerned, we have felt they have no place in bilateral contacts because their presence reintroduces Borneo claim, because their method of operation via press leak has been dramatically unhelpful, and because Indos have been most successful in using them as divisive element in past. At same time, if matters proceed past bilateral stage in trilateral meeting, we think it important that they be fully aware of situation and our views of it in hope we can mitigate disadvantages inherent in their presence. This produces dilemma: if we talk to them too fully and too soon we may encourage their desire attend, while if we leave them out too long we may have uninformed and destructive Philippine involvement.

At this stage we inclined think we should not push Phils until it clear that tripartite meeting is inevitable. We expect, however, that Macapagal or Mendez or both will want Bundy’s views on Indo-

Malaysian negotiations, and recognize subject cannot be by-passed. If this happens, suggest Ambassador and Bundy might give briefing on current status of contacts, drawing on points 1 to 4 above, and endorsing AACC structure outlined Kuala Lumpur's 1109, with which we fully agree.

Rusk

# **115. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, March 8, 1965, 5 p.m.

1784. Embtel 795.<sup>2</sup> As set forth Embtel 1643<sup>3</sup> and other recent messages, Country Team and I are agreed on orderly reduction and regrouping of American-official presence here worked out as cooperatively as possible with GOI or those elements GOI which are responsive in that way, and consistent with task US can and should try to accomplish in Indonesia. We are against reduction beyond that as either punitive or defensive measure unless and until security situation worsens markedly. Despite rising tide anti-Americanism which has closed our USIS operations, forced beginnings of takeover of American private property and made continuation some of our other projects and programs, including AID, of marginal value or impossible, we feel that we should try to weather storm and retain nucleus of mission which could again mount programs designed to assert effectively US influence in this country. It is our hope that reductions in various agencies now under way may to some extent increase and enhance work in small mission we hope to form here in way which will make it more water tight and storm worthy. In general we would like to (a) fold smaller and hope fully hard hitting information and psychological staff into Embassy and

<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US. Secret; Immediate. Repeated to Manila for Bundy and FELG, and to CINCPAC, Medan, and Surabaya. Passed to the White House, Defense, and CIA.

<sup>2</sup> In telegram 795 to Djakarta, March 5, the Department indicated that the United States must reduce American presence in Indonesia beyond cutting the USIS program. The Department suggested "quiet and undramatic" reductions, including a prompt close-out of the AID program by June 30, planning for a possible Peace Corps withdrawal, a closing of the Military Advisory Group operation by the end of the fiscal year, and urgent consideration of evacuation of U.S. officials' dependents. (Ibid.)

<sup>3</sup> Document 109.

Consulates and continue contest for minds of Indonesians, particularly youth; (b) retain AID building (despite difficulties noted AIDTO 1055);<sup>4</sup> sufficient housing to accommodate small AID staff (we would plan to use building also, if agreement can be gotten from GOI, to take some of pressure off of Embassy which is bulging at seams for space); (c) small Defense liaison staff attached to Embassy in place of MILTAG (perhaps also to be officed in AID building); (d) residual civic action liaison to be continued by foregoing; (e) [garble—Peace?] Corps to extent requested, used and protected by GOI.

Following are more detailed comments on numbered paras reftel in seriatim;

1. AID. CT considers situation requires withdrawal most of USAID on basis b AIDTO 1049<sup>5</sup> with following modifications:

(a) University contracts be terminated ASAP view limitations imposed on their operations by program restrictions and their isolated exposure possible harassment. Would attempt terminate contracts and withdraw personnel as soon as feasible.

(b) USAID and AID/W initiate action immediately to cancel outstanding procurement and divert shipments en route as deemed appropriate.

(c) We hope that some participant training might continue. While we will not press GOI on this we would hope have funds and US administrative personnel available to be responsive to any Indo request for training in US, at least until it absolutely certain GOI will approve no such training whatever.

USAID preparing separate message response AIDTO 1049 recommending schedule required actions. In brief, we envisage residual AID staff of 8–10 persons as against present strength of 70. Edwards will discuss problems with Poats at Baguio.

2. Peace Corps. Believe PC should remain Indonesia as long as volunteers can continue to do their assigned jobs without undue harassment. This may be possible if planned reductions US presence here produces easing of tensions and GOI actively implements announced desire maintain good relations with USA. If, however, withdrawal USIS allowed become focal point increased anti-American activity PC will not escape attack but indeed will be all more evident target as others depart.

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<sup>4</sup> Dated March 5. (National Archives and Records Administration, RG 59, Central Files 1964–66, AID (US) 1 INDON)

<sup>5</sup> Dated March 4. (Ibid.)

Maintenance effective PC operations in Indonesia will require GOI take additional steps to promote recently reiterated Sukarno desire continue PC in Indonesia. This subject currently under discussion with FonMin; response we receive will be significant test GOI determination keep PC here in spite of current atmosphere. Without some strong Sukarno support to regional govts we believe unlikely PC can continue operate effectively under any circumstances. Do not believe any evacuation required at this time; physical safety PCVS not seriously in question whereas any such moves would signal drive to oust all PCVS. Will keep this under constant review and notify Dept soonest if situation changes.

3. MILTAG. Do not consider voluntarily close-out to be in US interest, however, believe we should consider deactivation of MILTAG as such and establishment within Embassy of "Special Assistant to Ambassador for Defense Liaison Activities." This Defense Liaison Group to have mission maintain US military presence, perform MAP and civic action residual function, maintain direct link to CINCPAC and DOD, and provide base for future expansion of MAP or other Defense activities should such expansion become desirable. Organization should include officer representation from each service dept, personnel to perform continuing specialized functions, and minimum clerical and administrative support. Believe this can be accomplished with eight military personnel (5 officers and 3 enlisted), which includes spaces for Signal Corps officer to supervise Philco contract, army schools liaison officer at Bandung, and enlisted radio man to support military communications system at the Embassy. Believe reduction below numbers proposed above should not be considered until requirements are further reduced or until further reduction is made necessary by actions of Indonesian Govt. This represents drastic cut from present MILTAG strength of 25 enlisted men and officers. Proposed organizations will be covered in greater detail in MILTAG reply to CINCPAC message DTG 030419Z.<sup>6</sup>

4. Evacuation. Do not believe advisable yet move into formal phase of E and E plan. To do so would almost inevitably leak to Indonesian community and complicate our problems; at very best such action would add to morale problems in American community. What I need in face this unpredictable situation is standby authority to (a) authorize advance travel for dependents who would like to leave on voluntary basis, (b) advance authorization to ship HHE, if necessary, and we strongly recommend CONUS as safehaven (Deptel 798),<sup>6</sup> (c) use foreign flag vessels if American shipping not available. Embassy believes it would also be wise, on contingency basis, to select and make

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<sup>6</sup> Not found.

other necessary preliminary arrangements for representation of US interests in Indonesia by third power. (I would think that Japanese Embassy here would be one of few here with sufficient staff and standing with GOI to do this effectively—would welcome Dept's comments.) Preparations for fulfillment provisions FAM 7-950<sup>7</sup> could then be completed.

5. USIS Regrouping. See TOUSI 215.<sup>7</sup>

Reconstituted programs outlined above based on strong belief it in US interest, at least until game progresses a bit further, to maintain nucleus MILTAG and USAID (possibly under other names) along lines outlined above for residual reporting responsibilities and other situations that may develop. Number of events could alter present direction Indo politics and provide renewed openings for US initiative. Among these are (a) possible replacement of Sukarno through death or incapacitation; (b) possible army move to stem present trends; or (c) conceivably shift of Malaysian confrontation out of military arena. None of these at all certain but all possible. More likely is hope, as stated Embtel 1643 that with less conspicuous and smaller mission here GOI will find it easier to protect us and that our relations will accordingly, and despite continued foreign policy differences, be eased. This assumes of course GOI desires continued relations. While this also not certain, believe it clearly in US national interest to continue on this assumption until situation clarifies way in which GOI cooperates in orderly withdrawal of USIS installations will provide barometer for future action across board. If we are successful in closing down USIS without exacerbation already difficult situation, I propose that I have frank discussion with Sukarno/Subandrio re remainder of our programs in effort reach understanding. Do not believe we should move too fast with actions which will be interpreted by Indos as retaliatory. Let us have our plans ready so as to be able move fast if necessary and desirable but take soundings as we go. As Dept aware, stakes in game are high and we should not burn any bridges before absolutely necessary.

Subandrio has promised see DCM March 9 to discuss surplus housing and related matters. We should if possible get his agreement on our retention AID building and part of AID housing as well as on use AID building for some other elements this mission. Would appreciate reaction Dept and other agencies soonest.

(AIDTO 1055 received after preparation this message but presents no basic inconsistency with USAID proposal in para 1 above. Will reply part I following Baguio discussions. Response part II being provided separately.)

Jones

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<sup>7</sup> Not found.

**116. Memorandum From Chester L. Cooper of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, March 13, 1965.

**SUBJECT**

Jones on Johnson-Sukarno Exchange

Jones suggests (see attached)<sup>2</sup> that the President send a note to Sukarno to:

1. Express concern re deteriorating U.S.-Indonesian relations;
2. "Agree to disagree" as friends;
3. Reassure Sukarno that CIA has no intent to kill him, and that our aid to Malaysia does not reflect major change in U.S. policy;
4. Suggest a summit meeting.

I think a note to Sukarno from the President, covering points 1 and 2 above, might be a good idea; it won't solve the problem, but it probably won't hurt.

I think it unwise for the President to stoop to CIA-assassination fears.<sup>3</sup> Sukarno is psychopathic on this score and he has been assured, reassured and re-re-assured to no avail. He seems to enjoy this death-wish and appears to use it to justify to himself and to others any of his anti-American acts.

A high-level meeting should not be dismissed out-of-hand, but if it takes place I think a scenario along this line should be worked out:

- (1) Jones leaves for East-West Center.
- (2) Jones invites Sukarno as old friend to his induction ceremonies in Honolulu.
- (3) The President (Vice President?) decides to attend himself because of his friendship for Jones, because of the significance of the E-W Center in our Asian policy, because he has never been to the 50th State since he became President.
- (4) The President takes this occasion to meet for an hour or so with Sukarno.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. IV, Memos, 3/65-9/65, [1 of 2]. Secret.

<sup>2</sup> Telegram 1850 from Djakarta, March 13, not attached. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US)

<sup>3</sup> In telegram 1869 from Djakarta, March 16, Jones reported that he had informed Sukarno and Subandrio that he had received assurances from the "CIA Head for the Far East" that there were no anti-Sukarno and anti-Indonesia subversive operations. Subandrio admitted that he had no reliable evidence to the contrary, but Jones was still convinced that only a personal denial by President Johnson would "carry full weight." (Ibid.)

But two points should be mentioned:

(1) I don't think we can expect anything much to emerge from such a meeting.

(2) I believe the Department (at least FE) is opposed to the idea.

See attached memo for some further thoughts on Indonesia, Sukarno and All That.<sup>4</sup>

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<sup>4</sup> Reference is to a 4-page unattributed paper, March 10, which recommended "a carrot and stick proposition" to Sukarno since U.S.-Indonesian relations were at a crossroads and Sukarno must choose which fork to travel. The memorandum recommended as carrots a Presidential letter to Sukarno written "more in sorrow than in anger," a visit by Harriman or Robert Kennedy to offer U.S. good services to mediate the dispute with Malaysia, and the prospect of additional U.S. economic assistance. The United States would pass the word to moderate politicians and military leaders that the U.S. offer was their last chance. Should Indonesians reject the offer, the United States would increase the pressure by giving military assistance to the British and Malaysians including U.S. advisers. Should Indonesia persist in aggression against Malaysia, the United States should use air and naval power against Indonesian supply lines and back "independence" movements in the outer islands. (Johnson Library, National Security File, Country File, Indonesia, Vol. IV, Memos, 3/65–9/65, [1 of 2])

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### 117. Memorandum of Telephone Conversation Between the Under Secretary of State (Ball) and Director of Central Intelligence McCone<sup>1</sup>

Washington, March 14, 1965, 10:30 a.m.

McCone mentioned two cables<sup>2</sup> were in on the subject they had discussed last night; asked if Ball was having a meeting on this subject. Ball suggested a meeting at 11:30.<sup>3</sup> [*less than 1 line of source text not declassified*] from McCone's shop will represent them.

One serious aspect pointed out by McCone was he thought we should alert the oil interests there.<sup>4</sup> From available information, the

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<sup>1</sup> Source: Johnson Library, Ball Papers, Telephone Conversations, Indonesia, [4/12/64–11/10/65]. Confidential.

<sup>2</sup> Not further identified.

<sup>3</sup> No record of this meeting has been found.

<sup>4</sup> On March 16 Robert Barnett met with 10 U.S. oil company representatives, 2 U.S. rubber representatives, and a representative of Pan American Airlines to brief them on the Indonesian situation. (Memorandum of conversation, March 16; National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON-US)

grab will go forward. They would impound all tankers in the dock. We ought to get out. Ball agreed.

McCone felt we should explore what might be done constructively to offer some hope to elements who are not all wedded to this philosophy of Sukarno and Subandrio. In this respect he mentioned [*less than 1 line of source text not declassified*] who because of his identification with the conservative political elements friendly to the West, has become obscure.<sup>5</sup>

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<sup>5</sup> On March 15 Ball telephoned McGeorge Bundy to express his concern about Indonesia which was "moving very rapidly in the wrong direction and picking up a certain amount of momentum." Ball noted that Indonesia was the fifth largest country in the world, was strategically located, and "may be more important to us than South V-N." Ball suggested that the President should have a chance to look at Indonesian policy. Bundy asked Ball to prepare a 2-3 page paper outlining policy choices. (Johnson Library, Ball Papers, Telephone Conversations, [4/12/64-11/10/65])

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## 118. Memorandum From the Under Secretary of State (Ball) to President Johnson<sup>1</sup>

Washington, March 18, 1965.

### SUBJECT

Proposed Mission for Ellsworth Bunker to Indonesia

Our relations with Indonesia are on the verge of falling apart. Sukarno is turning more and more toward the Communist PKI. The Army, which has been the traditional countervailing force, has its own problems of internal cohesion.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. IV, Memos, 3/65-9/65. Secret. A note on the source text indicates that the President saw it. According to a Department of State copy of this memorandum it was drafted by Ball. (National Archives and Records Administration, RG 59, Ball Files: Lot 74 D 272, Southeast Asia) On March 16 Ball initially drafted this memorandum; a copy is *ibid.*, Central Files 1964-66, POL 1 INDON-US. According to a memorandum of conversation between Ball and McGeorge Bundy, Ball agreed to rewrite it in light of the changed situation in Indonesia. They also agreed along with Rusk that it would be a good idea to send Bunker to "take a quick look" and give them his "sound judgment." (Memorandum of telephone conversation, March 17, 10:15 a.m.; Johnson Library, Ball Papers, Telephone Conversations, Indonesia, [4/12/64-11/10/65])



Within the past few days the situation has grown increasingly more ominous. Not only has the management of the American rubber plants been taken over, but there are dangers of an imminent seizure of the American oil companies.

Under these circumstances, Secretary Rusk and I feel it essential to get a clear, objective reading of the situation.

Ambassador Jones has been in Djakarta for seven years. He is tired and worried. He has done everything possible to advance American interests through his close personal relations with Sukarno. But that line seems pretty well played out.

Before we recommend to you some of the hard decisions that may be required over the next few weeks we think it would be valuable to have Ellsworth Bunker make a fresh and objective reading of the situation.<sup>2</sup> After he had reported his conclusions we would be in a better position to advise whether

- a. You should send Bunker to Djakarta as Ambassador;
- b. You should send someone less prestigious; or
- c. The post should be left vacant as an expression of our dissatisfaction pending an improvement in relations.

We recommend, therefore, that Ambassador Bunker be asked to pay a brief visit to Djakarta. He is prepared to leave next Wednesday. His mission would have the following objectives:

1. He could carry a letter from you to Sukarno. Because of Sukarno's respect for you this might be the means of temporarily stabilizing the situation.
2. He could make use of his own prestige with the Indonesians (you will recall he was the man who negotiated the West New Guinea settlement) to try to get a commitment from Sukarno to take a more moderate course.
3. He would be able to recommend the decisions we may be forced to make regarding the further evacuation of personnel; the handling of the problem of the oil companies, etc.

If you think well of this idea, we will prepare a draft letter from you to Sukarno which Ambassador Bunker could deliver. Meanwhile, the mere fact that Sukarno knew that Ambassador Bunker was proposing to visit Djakarta on your behalf could have a stabilizing effect.

**George W. Ball**

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<sup>2</sup> On March 18 at 11:10 a.m., Ball telephoned Bunker and asked "how he would feel about making a quick trip out, leaving the question as to permanent representation based on the recommendation Bunker would make about the type and quality of Ambassador we want out there." Ball told Bunker that "an independent view by someone who would be objective and tough-minded would help the President make some of the hard decisions we will have to be making out there." Bunker agreed. (Memorandum of telephone conversation; *ibid.*)

**119. Memorandum From the President's Special Assistant for National Security Affairs (Bundy) and James C. Thompson, Jr., of the National Security Council Staff to President Johnson<sup>1</sup>**

Washington, March 24, 1965.

**SUBJECT**

Your meeting with Ambassador Bunker, today at 1 p.m.<sup>2</sup>

1. Ambassador Bunker is seeing you at 1 p.m. today in connection with his mission to Indonesia. He is seeking general guidelines from you on the purpose of his trip. He will be leaving for Djakarta this weekend and will probably stay for a week or ten days.

2. As you know, Bunker was deeply involved in the Indonesian problem when he served successfully as United Nations Mediator for the West Irian (West New Guinea) dispute between the Indonesians and the Dutch in 1962. He is devoting this week to an intensive updating on the current state of U.S.-Indonesia relations.

3. We would suggest that you stress the following points in your talk with the Ambassador:

(1) It is clearly in our interest to do what we can to arrest Indonesia's apparent drift into the Communist camp under the auspices of the Indonesian Communist Party (PKI). At stake are 100 million people, vast potential resources, and a strategically important chain of islands.

(2) There is disagreement both in our Djakarta Embassy and in Washington as to (a) Sukarno's real intentions; (b) the Indo power balance between Communists and non-Communists; and (c) what the U.S. can and should do—some recommend a "deep freeze" for Sukarno & Co.; others believe in a continued effort to win back their interest and friendship. You want his best judgment on these points.

(3) You would therefore like him to consult in depth with Ambassador Jones, with other members of the Country Team, with Sukarno, and with a broad spectrum of top Indonesian officials.

**JCT Jr  
McGB**

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President, McGeorge Bundy, Vol. 9, Mar.-Apr. 14, 1965. Secret. Also from Thomson.

<sup>2</sup> President Johnson met Bunker from 1:30 to 1:38 p.m. (Ibid., President's Daily Diary) No other record this meeting has been found. Jones was informed officially of Bunker's mission in telegram 860 to Djakarta, March 19. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 US/BUNKER)

**120. Editorial Note**

In an April 23, 1965, letter to Assistant Secretary for Far Eastern Affairs William Bundy, Ambassador Howard Jones stated that he was "privy to plans for a coup here and write you to inform you of the possibility." Jones stated that he had informed only one other person in Djakarta, Edward E. Masters, the head of the Embassy's political section, "because any indication that USG even knows about this could be the kiss of death not only to the effort itself, but to those involved." Jones also told Bundy, "to play safe, I informed my contact that the U.S. Government can in no way participate in any effort of this kind. I nevertheless conveyed clearly my own sympathy with his objectives." Jones went on to explain that the tentative plans contemplated action in late May or June when Sukarno was out of the country and suggested that Bundy might want to share this information with the President. He told Bundy, "I should caution that we do not yet know how seriously the plans are to be taken." Jones assured Bundy that his information was based on "personal contact with one of the leaders of the coup group which represents important civil and military elements." (Johnson Library, National Security File, Country File, Indonesia, Vol. IV, Memos, 3/65–9/65)

Deputy Assistant Secretary of State for Far Eastern Affairs Leonard Unger sent this letter to McGeorge Bundy at the White House suggesting that "he should be aware of this and you may wish to alert the President, although the information contained is obviously far from firm." (Memorandum from Unger to McGeorge Bundy, May 3; *ibid.*) There is no indication that the President was informed.

As it turned out, Jones' information proved to be "far from firm." Jones left Indonesia on May 24, 1965. On May 25 Jones cabled the Department of State from Bangkok in telegram 1879, that "plans referred to in my letter maturing slowly" and that "earlier it appeared as though some action against Sukarno government might be attempted while he was out of the country within the next weeks. This, it now develops, will not happen because people involved have not been able to move fast enough. (National Archives and Records Administration, RG 59, Central Files 1964–66, PER JONES, HOWARD P.)

## 121. Report From Ambassador Ellsworth Bunker to President Johnson<sup>1</sup>

Washington, undated.

### INDONESIAN-AMERICAN RELATIONS

#### Part I: General Conclusions

1. Because of the factors mentioned below Indonesian-American relations are unlikely to improve in the near future.

2. Ostensible reasons advanced by Sukarno for the deterioration of Indo-U.S. relations are:

a) U.S. recognition and support of Malaysia, as evidenced by the Johnson-Tunku communiqué<sup>2</sup> and arms assistance ("a slap in the face");

b) Our "intervention" in South Vietnam and support of the government which he held not representative of the people;

c) U.S. presence and bases in that part of the world.

3. Other and more fundamental reasons for the present state of Indo-U.S. relations which will continue to affect them adversely are:

a) Sukarno's ambition to solidify the Afro-Asian nations in a struggle of the NEFOS (New Emerging Forces) against the OLDEFOS (Old Established Forces) and to occupy himself a dominant position in the struggle;

b) Characterization of the West as representative of neo-colonialism and imperialism (NEKOLIM), therefore as the enemy of the newly independent countries. The U.S. as the most powerful leader of the developed countries is identified as enemy No. 1;

c) The influence of the PKI (Communist Party of Indonesia), which looks to Peking for inspiration and whose avowed purpose is to drive the U.S. out of Indonesia;

d) Sukarno's proclaimed Marxism and his avowed intention of doing away with capitalism in the process of socializing Indonesia;

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. IV, Memos, 3/65-9/65. Confidential. Bunker sent this memorandum to the President under cover of an April 23 transmittal letter. (Ibid.) According to a memorandum from Thomson to McGeorge Bundy, April 19, Bunker wanted to see the President briefly on April 21 to give him an oral summary of his findings. According to Thomson, Bunker's "most urgent piece of business with the President is the recommendation of a replacement for Howard Jones. He is for the open door (versus the deep freeze) and will propose *Hank Byroade*; State heartily concurs. (So do I!)" (Ibid.) Bunker met with the President on April 26 from 7 to 7:32 p.m. (Ibid., President's Daily Diary) According to a memorandum from Thomson to McGeorge Bundy, April 30, the President approved Bunker's recommendations during that meeting. (Ibid., National Security File, Country File, Indonesia, Memos, 3/65-9/65) See also Document 122.

<sup>2</sup> For text of the joint communiqué, July 23, 1964, see *American Foreign Policy, Current Documents*, 1964, pp. 899-900.

e) Sukarno's view that creation of national unity and a sense of national identity are more important than economic development; hence his emphasis on the "romanticism of revolution", and external issues to involve the emotional response of his people;

f) Sukarno's confidence that he can bend the PKI to his will; hence his emphasis on NASOKOM, the unification of the national, the religious and the communist elements into a national consensus;

g) Sukarno's mystical belief in his own destiny, hence his conviction that it is his mission to lead his country to unity and power; and because of doubts about his health, to accelerate the process.

4. While the settlement of the Malaysia problem directly, and that of Southeast Asia indirectly, might remove some tension in Indo-U.S. relations, it is probable that these will be under strain for a considerable period because of the factors enumerated above.

5. There are, however, elements of strength in the situation, but which at present find it expedient not to oppose the party line. These, which numerically outnumber the PKI, are:

- a) The military, especially the army;
- b) Moderate moslem political organizations;
- c) Other moderate political elements now inactive.

6. The military, because of the widespread emotional popular support for Sukarno's policy of confrontation with Malaysia, and because of their adherence to constitutionality, support the confrontation policy.

It is believed, however, that the military understands that:

a) It cannot win a war with Malaysia as long as the latter has British backing;

b) A defeat would seriously damage its prestige domestically, hence increase relatively the strength of the PKI;

c) Would therefore prefer a settlement which would permit troops to return to Indonesia to be prepared for a future confrontation with the PKI and other extremists.

7. In terms of internal political power it is not in the U.S. interest to see the military defeated. Such a result, however, would not be unwelcome to the PKI which would like to discredit the present military leadership.

8. Sectors of the moslem population are increasingly restive over the growing power of the PKI. Clashes between these elements have already taken place in east and central Java and Sumatra.

9. A large and widespread U.S. presence provides the PKI and other extremist elements targets for attack.

A defense of the U.S. presence, even by the forces of law and order, is embarrassing to them and to those friendly to the U.S. since it subjects them to attack as defenders or stooges of the imperialists.

10. U.S. visibility should be reduced so that those opposed to the communists and extremists may be free to handle a confrontation,

which they believe will come, without the incubus of being attacked as defenders of the neo-colonialists and imperialists.

11. Within the limitations imposed by the preceding paragraph the U.S. should maintain contact with the constructive elements of strength in Indonesia.

12. Indonesia essentially will have to save itself. U.S. policy should be directed toward creating conditions which will give the elements of potential strength the most favorable conditions for confrontation.

13. The struggle for succession has already begun. First Deputy Prime Minister Subandrio, devious and untrustworthy, is in the lead, following the communist line in an endeavor to use the PKI as a political base.

14. If Subandrio were to succeed Sukarno in the near future there is a probability that the military would try to force his retirement.

15. Sukarno is still the symbol of Indonesian unity and independence, believes in himself and his destiny, and is able and shrewd. There is little question of his continued hold on the loyalty of the Indonesian people, who in large measure look to him for leadership, trust his leadership, and are willing to follow him. No force in the country can attack him nor is there evidence that any significant group would want to do so.

16. Sukarno has, however, increasingly shown a tendency to take positions consistently favoring the pro-communist forces. Unless he moves to restore the balance, the drift toward communist domination of the country will continue.

17. The Indonesian economy:

a) Has not been effectively exploited since the country proclaimed its independence in 1945;

b) Development planning has been inept, and is today virtually non-existent;

c) Over half the population live outside the monetized sector of the economy as self-sufficient farmers, a fact which accounts for the resilience to economic adversity demonstrated by Indonesia over the last two decades;

d) Inflation has been widespread and inflationary forces continue to exert an upward pressure on prices;

e) The government occupies a dominant position in basic industry, public utilities, internal transportation and communication;

f) Sukarno emphasized in his speech on April 11 that his concept of "guided economy" includes a speeding-up of the process of socializing the country;

g) It is probable that foreign private ownership will disappear and may be succeeded by some form of production-profit-sharing contract arrangements to be applied to all foreign investment;

h) The avowed Indonesian objective is "to stand on their own feet" in developing their economy, free from foreign, especially Western, influence.

18. Since Sukarno occupies a dominant and virtually unchallenged position of leadership, Indo-U.S. relations will be largely what he wishes them to be, while he remains in power.

19. There are, as noted above, moderate elements which are in contention to succeed Sukarno. Whether they will be able to do so will depend on their own strength and unity, and to some extent on our relations with them and with Indonesia during the remainder of Sukarno's regime.

## Part 2: Recommendations

### *General*

1. Because of Indonesia's importance and potential strength, we should seek to retain a continued presence in Indonesia.

2. Where aspects of our presence in Indonesia provide targets easily exploitable by the PKI, they should be quietly removed.

3. Our major effort should be directed toward influencing long-range developments in Indonesia.

4. In dealing with the present regime we should continue to emphasize our desire for friendly relations while recognizing the fact that the nature of our relations depends primarily on what the Government of Indonesia wishes them to be. Accepting the fact that our bilateral relations are presently unsatisfactory we should, to the extent possible, continue the effort to work with Sukarno and maintain a dialogue between him and the President.

5. We should try to maintain as much contact with as many other elements in Indonesia, both of current and potential importance, as circumstances permit.

6. We should avoid taking actions which appear to be punitive. We should also recognize the fact that public castigation of the Sukarno regime produces no restraining effect in Indonesia, but on the contrary tends to intensify our problems there.

7. We should quietly but effectively, using wherever possible the agency of third countries, oppose Indonesia's efforts to turn the Afro-Asian-Latin American countries into an anti-American bloc.

8. Because the ideal of national unity is an overriding obsession with practically all Indonesians, stronger by far than any real divisive regional feeling, we should avoid becoming involved in efforts to split off Sumatra or other areas from Indonesia.

9. We should continue to avoid direct involvement in both the military and diplomatic aspects of the Malaysian problem.

### *Specific*

1. The security situation as it affects dependents of American personnel should be kept under constant review. An unpublicized and

temporary freeze should be put on the travel of dependents of newly assigned personnel going to Djakarta until at least May 15, the situation to be re-assessed at that time. We should also establish Indonesia as in Phase I of Emergency and Evacuation planning without, however, any general circulation of this fact beyond a need-to-know basis.

2. The U.S. has an unfulfilled commitment to the Indonesian Army, involving the personal position of Army Chief General Yani, to complete the fixed communications project on which the Indonesian Army has expended some \$10 million. If this project is not completed General Yani will be placed in a very vulnerable position which, in turn, will have an adverse effect on the Army's attitude toward the U.S. and its ability to resist the Communist Party. Unless an acceptable proposal for the Indonesian Army's acquisition of the equipment through commercial channels can be made to General Yani, the U.S. should complete the now reduced project under the Military Assistance Program.

3. Other than completing the foregoing project, we should not contemplate further deliveries under the Military Assistance Program. In order to keep maximum contact with the Indonesian military we should retain a few selected officers of the military assistance training group, either as a part of the attaché staff or as a separate unit within the Embassy.

4. Although new money should not be sought from Congress for FY 1966, a skeleton AID staff should be maintained at least as long as AID-administered activities continue. If all such activities are terminated, the question of maintenance of a skeleton staff should be reviewed.

5. The University contracts should be continued so long as there is not a marked increase in the general security threat to Americans and so long as they are able to operate.

6. The Harbor Construction Project, a development loan granted well before Indonesia began its military confrontation against Malaysia, is well along, and involves a commitment by the U.S. Government both to the Government of Indonesia and to the company which has the contract. Defaulting on this commitment, a punitive action on our part, would not only reflect unfavorably on the U.S. but would put in jeopardy some \$500,000 worth of equipment owned by the American company. We should try to complete this project.

7. An information program under the aegis of the Embassy should be pursued and, if possible, expanded with the objective of keeping a window open for U.S. influence with Indonesian leaders, particularly those among the youth. The recent proposal by USIA involving the assignment of two officers and 16 locals to the Embassy and the two Consulates seems a reasonable beginning.



### Part 3: Discussions with President Sukarno and Other Principal Indonesian Figures<sup>3</sup>

In the course of my visit to Indonesia—a stay of one day more than two weeks—I had four meetings with President Sukarno, two other meetings with First Deputy Prime Minister and Foreign Minister Subandrio, and I also called on a number of other ministers in influential positions. Additionally, I lunched once with President Sukarno at the Palace in Djakarta and in turn entertained him once at a luncheon at the Embassy Residence in Djakarta. At his request I also went to Bandung to hear his speech at the opening session of the Consultative Assembly. In addition, I obtained the views of a number of ambassadors accredited to Djakarta.

In the talks with President Sukarno and members of his government I endeavored consistently to make a number of points about our general concept of United States relations with Indonesia and in turn to elicit from Indonesians their views of present and future relations with the United States. I avoided to the extent possible becoming involved in operational questions which I felt would be more appropriately handled by the Embassy.

The following are the aspects of United States policy toward Indonesia which I particularly stressed in my talks with Indonesian leaders:

1. I said that I had come to Indonesia at the request of President Johnson who had become concerned by the recent deterioration of relations between Indonesia and the United States, and who had expressed to me his wish to enter into a closer dialogue with President Sukarno in which American attitudes and Indonesian views might better be understood by both sides. I emphasized that neither the President nor I considered my visit to be a “last ditch” effort, but rather an aspect of continuing communication between the two countries.

2. I made clear that the United States seeks a friendly and constructive relationship with Indonesia to the extent that this kind of relationship also is desired and would be supported by the Indonesian Government. I stressed that the United States has no territorial or other ambitions in the Far Eastern region. When talking to President Sukarno, I assured him most clearly that the United States Government is not working against him personally and does not seek his removal from power.

3. I pointed out to the Indonesian leadership that, contrary to what some of them may believe, the United States very well understands the dynamics and objectives of revolution, including that of Indonesia.

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<sup>3</sup> Memoranda of conversation between Bunker and Indonesian officials with the exception of Sukarno, Nasution, and Subandrio are in National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON–US. Additional reports are *ibid.*, POL 7 US/BUNKER and POL 15–1 INDON.

The American revolution has continued and its present manifestation in which the equal rights of citizens are being sought has even strengthened our understanding and sympathy for such legitimate aspirations. We understand that to be strong a nation must be given a sense of unity, self-identification, and self-reliance.

4. We believe it natural that Indonesia should play an important role in international affairs, I pointed out to President Sukarno, and I added that we could see no reason why this should bring the United States and Indonesia into opposition. I expressed the thought in this connection that Indonesia's ability to exert external influence on events would be enhanced by peaceful settlement of Indonesia's differences with its neighbors.

5. I told the Indonesians that since we share many basic objectives, we should be able to live in mutual friendship and respect. This is the desire of the United States and we hope also of Indonesia. However, it is evident that our bilateral relations have been disturbed and allowed to deteriorate because of our differing views on a broad range of other issues in the world. The United States, I said, does not wish that these other issues should control our relationship, but it seems to us that the Indonesian Government has deliberately allowed this to happen. Moreover, the campaign of anti-Americanism which has been taking place in Indonesia in recent months seems designed to identify the United States as the principal enemy of Indonesia. We understand that the Indonesian Communist Party wishes to disrupt relations between the two countries, but we do not assume that this also is the objective of President Sukarno and other Indonesian leaders. I told President Sukarno that I would like to be able to report to President Johnson his estimate of the direction and nature of Indonesian relations with the United States. U.S. programs in Indonesia, such as USIS, AID and the Peace Corps, I pointed out, had been designed to promote friendship and understanding between us. However, since it appeared that they had instead become irritants in our relations, we believe that they should be removed unless the Indonesian Government wished them to remain and would support them.

6. I told President Sukarno that we considered him to be the leader of the Indonesian people and the principal formulator of Indonesian policies. We believed the Indonesian people would follow his guidance. Therefore, the nature of future United States-Indonesian relations would be up to him. We should be prepared for a constructive, friendly relationship.

President Sukarno and Foreign Minister Subandrio pushed very hard to obtain United States support in their "confrontation" with Malaysia, both constantly reiterating that what they termed as American support of Malaysia could not but constitute a serious obstacle to the improvement of relations between us. President Sukarno described

the communiqué between President Johnson and Tunku Abdul Rahman and U.S. military aid to Malaysia as evidence of United States support of Malaysia and opposition to Indonesia. Sukarno asserted that he regards Malaysia as a puppet of "British imperialism" and had evidence it had been set up to "contain" Indonesia. Sukarno sought to obtain from me United States endorsement of his proposal that the Malaysian issue be settled along the lines of the Manila agreement or Tokyo declaration, and asserted that United States support in this respect would permit the Indonesian Government to support and promote improved bilateral relations.

In addition to the subject of Malaysia, Sukarno also mentioned North Vietnam, North Korea, and the Congo as examples of matters in which our differing approaches have an effect on our bilateral relations. Sukarno described to me his concept of the Afro-Asian area as an "integrated political whole" and sought to obtain from me agreement, which I did not give, that this concept is accepted by the United States.

I spelled out for Sukarno, in precise terms, our policy toward Malaysia and the nature of and reasons for our commitment to South Vietnam, and the fact that we had no territorial or other ambitions in Southeast Asia.

Nevertheless Sukarno and Subandrio clearly and repeatedly inserted third country issues into our bilateral relationship and gave every indication that Indonesia would continue to let the relationship be dominated by such issues. I consistently declined to be drawn into debate of the substance of these various other matters, explaining that President Johnson had asked me to come to Indonesia to discuss with Sukarno the United States-Indonesian bilateral relationship and reiterated that it seemed to me this should not be influenced unduly by third country relationships; that where our policies diverged we could at least agree to disagree amicably. Apparently it became clear to Sukarno that I would not make a substantive concession to his views regarding Malaysia, and he settled for language in a communiqué that was much less than fully satisfactory to him but nonetheless did permit him, as well as me, to conclude the conversation gracefully.

President Sukarno asserted that he also wished good relationships with the United States and he requested that his views, as described above, be fully reported to President Johnson. Sukarno acquiesced in the removal, strongly recommended by First Deputy Prime Minister Subandrio, Minister of Defense Nasution and Army Chief of Staff Yani in their remarks to me, of the Peace Corps from Indonesia. He also, in the communiqué, publicly affirmed his desire that AID-financed university contract teams be continued. Sukarno made no specific response to most of the points I had made to him concerning our concept of and desire for friendly and constructive bilateral relations.

Other Indonesian officials with whom I talked, including most importantly the Minister of Defense, General Nasution, strongly advocated and advised that American programs in Indonesia be removed for the time being. Arguments in support of this advice pointed out that the Indonesian Communist Party is targeting its harassment tactics on these programs. Indonesian officialdom, led by Sukarno, has taken an anti-American line publicly, and this makes it virtually impossible for the military and police to support or even to protect these programs adequately. Therefore, the programs would best be removed because their security could not be assured, because they could not be fully effective, and because they divert attention from the main aspects of the sharpening internal power struggle between the communists and non-communists. General Nasution predicted a one to two-year period of tense relations with the United States resulting from this internal political struggle. He observed that these political phenomena have their own momentum and direction, and therefore are unlikely to be influenced by external pressures. General Nasution, principal leader of the anti-communist military forces, in effect advised that the United States prepare to keep its head down and patiently ride out a period of political turbulence, and he said that he also wished the Indonesian Army to follow this same course. A minority view, most prominently expressed by Adam Malik, who was recently promoted out of the Ministry of Trade, was that the United States should avoid reducing its presence or its programs in Indonesia on the grounds that removal of U.S. programs would encourage the Indonesian communists and make them appear stronger than they actually are.

Conversations with Indonesians generally followed this pattern of conversation with President Sukarno and with General Nasution: Those of the Sukarno persuasion taking the position that improvement in United States-Indonesian relations would be contingent on United States support of Indonesia for the Malaysia issue, while other elements, those traditionally more friendly to the United States, advising that a period of disturbed relations lies ahead, that the United States should lower its profile in order to remove targets from communists' harassment, retain only those programs for which President Sukarno's public support and protection could be obtained, and maintain a posture that will permit a renewal of good relationships when conditions in Indonesia change.

[Here follows part 4, "Background," 9 pages including sections on, "Indonesia's Position in Asia," "The Colonial Heritage," "Progress Since Independence," "The Political Structure," "Political Forces," "The Current Picture" and "Prospects for Indonesia."]

**122. Memorandum From the President's Special Assistant for National Security Affairs (Bundy) to President Johnson<sup>1</sup>**

Washington, April 26, 1965.

SUBJECT

Ambassador Bunker's meeting with you today

1. Ambassador Bunker is coming in primarily to report to you on his mission to Indonesia. I attach at Tab A the first two sections of a long report.<sup>2</sup> These sections give his general conclusions and his recommendations.

2. He is pessimistic about the short-run prospects for improved U.S. relations with Indonesia. Bunker knows it takes two to have good relations, and he thinks Sukarno simply does not want them right now. Malaysia is the immediate cause of friction, but even if Malaysia were settled, the internal politics of Indonesia would bend Sukarno toward hostility to the U.S.

3. At the same time, Bunker believes strongly in a continued U.S. effort to play for the long-term stakes by keeping open quiet lines of contact to the Indonesian Government and people—and especially to the Indonesian military. He recommends that we reduce our visibility, avoid punitive actions, remove vulnerable Americans from isolated regions, but maintain a skeleton AID staff with minor and popular AID projects as our University contract program. His one politically tricky recommendation is that we should keep our good relations with the Indonesian military by completing a firm but unfulfilled commitment to the Indonesian army to help in finishing a telecommunications project (Part 2, page 2, item 2). There is not yet an inter-agency position on this one.

4. There are two questions that may be more important than Bunker's report: (1) the succession in Indonesia, and (2) your own possible interest in appointing Bunker.

(1) On Indonesia, Bunker recommends Henry Byroade who has done a very good job as Ambassador in Burma. The State Department concurs, and so do we. Byroade's record is marred by some private indiscretions, but he has apparently behaved very well in Burma, and he has the temperament and style for Indonesia.

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President, McGeorge Bundy, 3/3/65–6/30/65. Secret.

<sup>2</sup> See Document 121.

(2) On Bunker himself, I continue to think that if he were interested, he would give a stature and coherence to our European Bureau that it has never had in many years, even under Foy Kohler.

McG. B.

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**123. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, May 21, 1965, 10:02 a.m.

1193. Embtels 2443 and 2444.<sup>2</sup>

We agree that this is appropriate time for President to write to Sukarno, both to indicate his continued interest in Ambassador Bunker's mission and to encourage Sukarno's early acceptance of your successor. We do not, however, believe that this is suitable occasion for introduction questions of substance on matters where we are in disagreement with Indonesia as this would be likely to deflect Sukarno's attention. We have, therefore, shortened and revised your most helpful draft. Following is text of letter which you should deliver to Sukarno soonest:<sup>3</sup>

"Dear Mr. President:

Ambassador Bunker has recently reported to me on his mission to Indonesia. I have discussed with him his experiences and impressions and have read with much interest his report of his conversations with you and your advisers. I am deeply appreciative of the time which you personally gave him and the courtesies extended to him during his stay in Indonesia.

Ambassador Bunker's mission has enabled us to obtain a fuller measure of understanding of your hopes and concerns for Indonesia.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US. Secret; Immediate; Verbatim Text; Limdis.

<sup>2</sup> In telegram 2443 from Djakarta, May 10, Jones suggested that Johnson send Sukarno a personal message and telegram 2444 from Djakarta, also May 10, contained the proposed text of the message. (Both Ibid.)

<sup>3</sup> In telegram 2550 from Djakarta, May 22, Jones reported that he delivered the letter to Sukarno that afternoon who expressed appreciation for it, reiterated his desire for good relations, and expressed hope Johnson would visit Indonesia. (Ibid.)

I hope that it has correspondingly brought you a clearer view of American policies and of our continuing desire for mutually friendly and beneficial relations between the United States and Indonesia.

I hope, Mr. President, that we can keep in personal contact, and I shall look forward to an opportunity when we can meet together for a closer discussion of the broad areas of our mutual interests. Although there are differences of view between us on some issues, I believe we should not allow these differences to impair the relationships which have existed between our governments and peoples over a number of years of friendly association.

I am very grateful for the many years of dedicated service which Ambassador Jones has given in the cause of friendly relations between our nations. We all regret his forthcoming retirement, but I have every confidence that we will be able to continue under his successor the tradition of friendship and close relations which Ambassador Jones has fostered.

Only a few days ago I had the pleasure of welcoming Ambassador Palar to Washington, and I trust, Mr. President, that either through the channels of our respective Ambassadors, or through this more direct means of personal correspondence, we may narrow the gaps that threaten to separate our countries and find and maintain a basis on which our peoples may continue to live in true peace and friendship.

With all good wishes,  
Sincerely yours,"

**Rusk**

## 124. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, June 5, 1965, 0825Z.

2641. Embtel 2640.<sup>2</sup>

Indo trends outlined in reftel raise some serious questions for USG, both as to our basic assessment of GOI and in our posture and actions in response to such assessment. One of important aspects of these trends and possible consequences is that they are almost equally inimical and end result is same whether one takes position all is logical consequence of Sukarno commitment to carry Indonesia into "socialist stage" or whether more fuzzy combination of psychological, ideological and other factors motivate Sukarno's actions.

Present GOI has become deeply hostile to most of what USG striving for internationally in today's world. If Indo virus is allowed to spread unchecked in AA world it could be particularly insidious front runner for international communism. "International Nasakom" coalition concept could be of real use to ChiComs and would undoubtedly have more appeal in Islam-impacted Middle East than uncompromising brand of purely Communist-directed violent revolution.

Despite this assessment, I believe it would be unwise for US to declare that Indonesia is Communist or to begin overtly to treat Indonesia as a Communist state. Should we do so the effect would most probably be to rally in defense their country's honor and prestige those many who presently give Sukarno's policies only lip service and half-hearted support. There is still some chance for change or possibly even reversal of policies not yet ineluctably solidified into Communist mold, and US posture should be one that will enhance and strengthen if possible chances for future change toward improved US-Indonesian relationship.

We believe guidelines set by Bunker report<sup>3</sup> are still correct but that US should begin energetically though quietly to tool up for effective

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US. Secret. Repeated to Medan and Surabaya.

<sup>2</sup> In telegram 2640 from Djakarta, June 5, the Embassy reported that the PKI had recently made important strides in its campaign against remaining anti-Communist forces. The nationalist, Moslem and other religious-backed political forces had suffered important setbacks and the military was increasingly under Sukarno's control. The Embassy suggested that the United States should prepare for the possibility that Indonesia "could pass under institutionalized Communist control in the not too distant future," although the Embassy suggested it would be a "maverick nationalist brand of communism which would be Indonesia centered." (Ibid., POL 15 INDON)

<sup>3</sup> Document 121.



counter-propaganda effort and other counter-actions against Sukarno's policies and Indonesia's current objective of Nasakomizing Afro-Asian World.

For present we should not take lead in overtly declaring GOI pariah in our informational media since this action would on one hand precipitate Indo reaction which would make our maintenance of desired presence here virtually impossible and, on other hand, would probably be premature in terms of credence to be given by most AA nations we would hope to influence. Suggest therefore that our public posture continue to be correct while avoiding being identifiably hostile. We should probably express any cordiality required to continue to play game with Sukarno in non-public channels. We should, however, cease characterizing Indonesia as part of "free world," since in its international alignments it clearly is not, and term is ridiculed by GOI itself.

Specific actions recommended at this time are:

1. Make immediate and major effort to improve VOA signal strength and time devoted to broadcasting to Indonesia. Indonesian people are currently almost completely cut off from any interpretation, other than that dictated by Communist-dominated GOI propaganda machine, of facts about national and international events. Most Western news magazines are banned. VOA signal poor.

2. Establish team composed of members located in this Embassy and in Washington of political-editorial experts who can prepare material on current basis for use by VOA and other media for counter-propaganda effort with AA world.

(A) It is hoped that promised info officer will be shortly assigned and will be crack writer who can quickly put in usable form and transmit to Washington material gathered here in conjunction with Embassy political officer for channeling back to Indonesia.

(B) Team in Washington should, besides screening and deciding on use of this material, be concerned with broad appeal to Afro-Asian world and techniques and actions required to counter ChiCom-Indonesian efforts subvert other AA countries to their ideologies.

3. Major effect should be made to enlist active support for counter-effort described above from friendly AA nations and they, rather than US, should begin publicly to expose Djakarta's aggressive and pro-Community policies.

4. Continue our efforts to inform AA moderates of true nature of Indo approach to Algiers conference and importance of avoiding victory by Indonesian-ChiCom coalition in name of unity or avoidance controversy. We believe, for example, that greater emphasis on GOI's own aggressive influence and policies rather than on desirability Malaysian admission is indicated. Isolation of GOI at Algiers almost certainly lesser evil than Indonesian success.

5. Through third country radio broadcasts and such other means as can be made available, including Embassy's own modest informational effort, expose PKI efforts dominate political spectrum in Indonesia.

6. Through friendly AA countries expose throughout AA world effect of Sukarno's policies in Indonesia and acceleration of PKI influence here.

7. Achieve foregoing in subdued manner which will avoid complete break and removal remaining American presence in Indonesia. Obviously risks would be involved in this respect in carrying out above recommendations but risk must be taken in view danger current Indo policies aimed at rest of AA world.

Main thrust foregoing recommendations meant to be greater USG attention to and attempt cope with problems raised by trends described reftel both in Indonesia and in wider Afro-Asian context.

**Galbraith**

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**125. Memorandum From the President's Special Assistant for  
National Security Affairs (Bundy) to President Johnson<sup>1</sup>**

Washington, June 30, 1965, 8:35 a.m.

**SUBJECT**

Your Meeting with Ambassador Jones and Green (Indonesia) at 11:30 a.m.  
Wednesday, June 30<sup>2</sup>

Green leaves for Indonesia July 8. Jones becomes Chancellor of the East-West Center later in July.

The purpose of this meeting is to give Jones a word of deserved thanks and to give Djakarta a signal of your confidence in Green. The Indonesians, and Sukarno in particular, had a particularly high regard for Jones.

As you know, our policy toward Indonesia is cool and correct at the moment. We are keeping the door open to friendly relations, but we have removed the Peace Corps and other targets of Communist

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President, McGeorge Bundy, Vol. 11. No classification marking.

<sup>2</sup> According to the President's Daily Diary, the meeting took place from 12:45 to 12:48 p.m. (Ibid.)

agitation. We are really playing for the breaks in a situation in which the Communists are gaining in influence, but the prospect of a reaction by the military is strong.

I attach a letter (Tab 1) for Green to deliver to Sukarno.<sup>3</sup> Sukarno being the highly personalistic type he is, a message of this kind will increase Green's standing and give some additional weight to whatever he may have to say as our relations develop. I have redrafted the State Department version to make it cool, but courteous, and I think it will be a help to Green. On the other hand, we have not made any promise of such a letter and you can give it a pocket veto if you prefer.

McG. B.<sup>4</sup>

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<sup>3</sup> Not attached, it introduced Green as "one of our most able and experienced officials in the affairs of Asia," fully attuned to the President's own thinking. (Ibid., National Security File, Special Head of State Correspondence, Indonesia Presidential Correspondence)

<sup>4</sup> Printed from a copy that bears these typed initials.

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## 126. National Intelligence Memorandum<sup>1</sup>

NIE 54/55–65

Washington, July 1, 1965.

### PROSPECTS FOR INDONESIA AND MALAYSIA

#### The Problem

To examine the domestic political situation and foreign policy trends in Indonesia and Malaysia, and to estimate the prospects of both countries and the probable course of their conflict with one another over the next year or so.

#### Conclusions

A. The principal development in Indonesia over the past year has been the sharply accelerated growth of the Communist Party (PKI) role

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<sup>1</sup> Source: Department of State, INR/EAP Files: Lot 90 D 165, NIE 54/55–65. Secret; Controlled Dissem. The Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, and the NSA prepared this estimate, which was concurred in by the members of the U.S. Intelligence Board on July 1, except the representatives of the AEC and FBI who abstained on the grounds that the topic was outside their jurisdiction.

in government. This trend is likely to continue as long as Sukarno is in control. Opponents of this trend are discouraged and intimidated; even the military has all but lost the will to resist. The longer Sukarno lives, the better will be the PKI chances of maintaining or improving its position following his death. (Paras. 2-11)

B. Sukarno's campaign to destroy Malaysia, now in its third year, will almost certainly continue at varying levels of intensity. There is little prospect of an Indonesian military victory and Sukarno knows it. This realization has led him to denounce and harass the entire Western presence in Southeast Asia, and indeed in the Afro-Asian world. (Paras. 14-16, 21)

C. We look for a continuation of Indonesia's hostile attitude toward the US, though chances are less than even that Sukarno will go so far as to break diplomatic relations. Ties with Communist China are likely to become closer, since Sukarno sees no immediate Chinese threat to Indonesian ambitions. The desire of the Indonesian military to continue receiving Soviet arms aid will probably induce Sukarno to maintain relatively friendly relations with the USSR. (Paras. 17-23)

D. If Sukarno dies or becomes incapacitated in the next year or so, the immediate successor government would probably be an ostensibly non-Communist coalition. The military would almost certainly exercise greater authority than at present, but would be unlikely to risk civil war to initiate a roll back of the Communists. Indeed, the Communists are already so entrenched that they could probably not be denied an important share in any successor government. (Paras. 12-13)

E. In Malaysia, existing political and racial frictions will intensify, but even if no settlement is achieved, we do not believe that this will lead to a breakup of the federation during the period of this estimate. The subversive threat to Malaysia is unlikely to bring down the present regime unless it is significantly weakened by Indonesian actions on a scale which we consider improbable. (Paras 24-33)

F. Malaysia is totally dependent on British military support and its foreign policy is closely allied to that of the UK and its Commonwealth partners. The UK, and to a lesser extent Australia and New Zealand, have committed a considerable military force to the defense of Malaysia. It will probably prove adequate to cope with likely Indonesian actions and to deter Sukarno from substantially bolder aggression. Nevertheless, Malaysia will continue to seek an even stronger US commitment to its defense. (Paras. 34-36)

[Here follows the Discussion section of the estimate.]

**127. Memorandum of Conversation<sup>1</sup>**

Washington, July 20, 1965, 5:35 p.m.

**SUBJECT**

U.S. Communications Equipment for Indonesian Army

**PARTICIPANTS**

The Secretary

Thomas M. Judd, EUR/BNA

Sir Patrick Dean, British Ambassador

Secretary Rusk said he wished to make sure that London is fully informed concerning our decision to permit the commercial sale of about \$3,000,000 worth of communications equipment to the Indonesian Army. The Indonesian Army had originally asked to buy \$13,000,000 worth of equipment but we had said no. The Indonesian Army people had come to us privately saying they needed some secure means of internal communication within the army. Commercial communications were in the hands of the PKI. The equipment we were selling would be used only on Java and would be stationary.<sup>2</sup>

Ambassador Dean thanked the Secretary for his presentation. He said that the Embassy had previously been informed of the situation by FE.

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<sup>1</sup> Source: National Archives and Records Administration, RG 84, Djakarta Embassy Files [formerly FRC 69 A 6509, Box 116], DEF 19–8 Indocom. Confidential. Drafted by Judd and approved in S on August 16. The memorandum is part 5 of 5. The discussion took place in Rusk's office.

<sup>2</sup> In telegram 46 to Kuala Lumpur, July 20, the Department instructed the Embassy to inform Razak or other appropriate officials at the Ministry of External Affairs of the U.S. decision to grant an export license for tropospheric scatter fixed communications systems to be installed at Djakarta, Bandung, and Palembang and to stress that the Department had determined that the equipment would not assist in Indonesia's military confrontation against Malaysia. (Ibid., RG 59, Central Files 1964–66, DEF 21 INDON)

**128. Memorandum of Conversation<sup>1</sup>**

Washington, July 28, 1965, 6:30 p.m.

**SUBJECT**

Sale of U.S. Communications Equipment to Indonesia

**PARTICIPANTS**

The Secretary

Thomas M. Judd, EUR/BNB

Sir Patrick Dean, British Ambassador

Nigel C.C. Trench, Counselor, British Embassy

Ambassador Dean said he had been instructed to convey to the Secretary the British Government's unhappiness about the U.S. decision to permit the sale of communications equipment for use by the Indonesian Army. The Ambassador said he understood the U.S. problem but the British were faced with the situation of trying to prevent other friendly countries from supplying military equipment to the Indonesians. The French were getting ready to sell three helicopters, using the action of the U.S. as an excuse. The Dutch were about to sell twenty Fokkers. HMG was also having a lot of trouble with the Japanese. The British had demonstrated that they practiced what they preached when they cancelled the Decca contract some time ago.

Secretary Rusk went over the reasons for the U.S. decision which he had previously given to the Ambassador. He stressed the limitations on the program and the desirability of aiding the Indonesian Army to obtain a secure means of internal communication.

The Secretary went on to say that this sort of problem existed elsewhere. We were not happy with some of the things the British were doing. For instance, British shipping to Cuba. It was difficult to deal with each one of these cases on an ad hoc basis. Perhaps we should discuss the general problem in an attempt to arrive at a broad policy agreement. The Secretary said we would be glad to talk with the British to see if a basis could be found for a general agreement.

Ambassador Dean said he thought HMG would be interested in such talks. Perhaps Sir Burke Trend, Secretary of the British Cabinet, could take up this matter on his current visit to the U.S.

There was further discussion of our proposal to permit the sale of communications equipment to the Indonesian Army. The Secretary

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<sup>1</sup>Source: National Archives and Records Administration, RG 59, Central Files 1964-66, DEF 21 INDON. Secret. Drafted by Judd and approved in S on August 8. The memorandum is part 1 of 2. The discussion took place in Rusk's office.

then mentioned that the Pakistanis were apparently sending C-130 spare parts to Indonesia from supplies originally furnished by the United States. We had taken this matter up with Pakistan. In view of the nature of the problem, it would probably be inadvisable for the British to make any approaches to the Pakistanis.

Ambassador Dean said that he had been unaware of this situation. He agreed that it would probably not be a good idea for the UK to talk with the Pakistanis.<sup>2</sup>

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<sup>2</sup> In another meeting on August 2, also in Rusk's office, the Secretary told Dean that "the British should probably wait to see what happens. There is a good chance the Indonesians will not go through with the purchase of the equipment." (Memorandum of conversation, August 2; *ibid.*)

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**129. Memorandum From the Director, Far East Region (Blouin) to the Assistant Secretary of Defense for International Security Affairs (McNaughton)<sup>1</sup>**

I-25070/65

Washington, August 3, 1965.

**SUBJECT**

Further Deterioration in Relations with Indonesia

*Problem*

Ambassador Green reports from Djakarta that the United States should prepare for a break in diplomatic relations with Indonesia.<sup>2</sup> Although he does not believe a break is imminent, he says the "heat is again being turned on us" and that preparations should be made for this eventuality. This assessment was made in a few hours before a Communist-led mob stoned the U.S. Consulate in Medan.

*Discussion*

The strong anti-U.S. demonstrations which have taken place since Green's arrival in Djakarta, the blunt words which Sukarno leveled at

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<sup>1</sup> Source: Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 3717, Indonesia, 000.1-291.2 (092. Indonesia). Secret. Drafted by D.E. Neuchterlein of OASD/ISA/FER.

<sup>2</sup> In telegram 190 from Djakarta, July 31. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US)

the United States during the Ambassador's presentation of credentials, and the increasingly vitriolic anti-American and anti-Green statements in the Indonesian press apparently have convinced the Ambassador that his initial efforts to improve relations between the two countries have met with sharp rebuff.<sup>3</sup> Relatedly, the Indonesian Government has turned down a request for the research ship *Atlantis II* to conduct a marine survey in the Banda Sea, which Indonesia claims as its territorial waters. Sukarno is pressing ahead full speed with plans to set up a rival to the United Nations known as the CONEFO (Conference of Newly Emerging Forces) next year, and his latest boast that he will explode an atomic bomb in November has caused the Embassy to speculate that Peking may detonate a bomb in Indonesia in order to bolster Sukarno's prestige among the Afro-Asian nations. A growing campaign is being waged by the Indonesian Government, or important elements in it, to convince the public that Indonesia is under imminent threat of attack from the United States. A forged document was recently made public by the foreign minister which "proved" that the British and American Ambassadors in Djakarta were conspiring on plans for an invasion of Indonesia.

#### *Conclusion and Recommendations*

It appears that the conclusions reached by the Bunker Mission, namely, that a large reduction in the American presence in Indonesia would produce a better climate in which to conduct US/Indonesian relations, are being proved fallacious and that time may be running out on U.S. efforts to placate Sukarno. Perhaps our moderation in dealing with Indonesia has misled Sukarno to believe that the United States is not prepared to defend its interests. There are nearly 100 million people in Indonesia who by all logic and past history should be pro-American. I am convinced they are truly afraid of Communist China but have the delusion that they (Indos) are clever enough to handle them and/or are convinced that the U.S. will back down and leave the Communist Chinese in a commanding position.

Therefore, it might be appropriate to consider what measures we should take to make clear our determination to use the international waters around the Indonesian islands and also to counteract the political impact of the possible detonation of an atomic bomb in Indonesia. The following steps might be taken:

1. Reopen with State the question of sending one or more Navy ships through the Indonesian Straits "unannounced" to demonstrate our refusal to accept the Indonesian claim to these as territorial waters.

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<sup>3</sup> As reported in telegram 188 from Djakarta, July 31. (Ibid.)



2. Encourage the *Atlantis II* to carry out that part of its survey in the Banda Sea which is clearly outside Indonesian territorial waters and make it clear we will not stand for any harassment.

3. Reconsider our decision to permit Philco Corporation to build a three-site communication system for the Indonesian Army. The Indonesians apparently are delaying any decision in this matter in order to reap a full political harvest from Malaysia's bitter reaction to the United States support for its "enemy". Although I supported the decision and feel the opposition to this sale is largely emotional, I'm leaning toward reneging now, not just because of Commonwealth opposition, but because of continued Sukarno boorishness.

4. Take steps to minimize the political impact if Indonesia should detonate an atomic bomb. Such a detonation is hardly possible without ChiCom help but the Indos have surprised us before. The event would alarm not only the Malaysians but the Fils, too.

**F. J. Blouin<sup>4</sup>**

*Rear Admiral, USN*

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<sup>4</sup> Printed from a copy that indicates Blouin signed the original.

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**130. Memorandum From Chester L. Cooper and James C. Thomson, Jr., of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, August 3, 1965.

**SUBJECT**

Avoidance of Panic Regarding Indonesia

We have learned of some disturbing views that are circulating on the seventh floor at State regarding U.S. relations with Indonesia. We are at a point where either *an initiative by you at today's lunch or a talk with Bill Bundy* is probably required.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. IV, Memos, 3/65–9/65. Confidential.

It appears that the report of the attack on our Medan consulate coincided with a contingency message from Marshall Green discussing third-country representation of our interests in the event of a break in relations with Indonesia—jointly to cause undue alarm at State.<sup>2</sup> The result has been a high-level thrust toward quick and drastic action on the evacuation of dependents and the reduction of staff. *There is danger that an impulsive decision may be reached here within the next two days.*

This high-level concern is shared neither by Green nor by the working level of the Department. As Green reports in Djakarta's 191 (attached<sup>3</sup>), he believes that actions at odds with the Bunker report would be premature at this time. Both he and the experts regard August 17th as the annual critical date. Actions taken by us prior to the 17th would tend to be self-fulfilling.

Marshall Green now has the authority to evacuate any dependents any time he chooses. We should let him take the lead on this one and support his judgment. What the seventh floor needs at the moment is to move gently some feet away from the panic button.<sup>4</sup>

J  
C

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<sup>2</sup> The report of the attack on the consulate in Medan is in telegram 3 from Medan, July 30. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-8 INDON) Regarding the contingency message, see footnote 2, Document 129.

<sup>3</sup> Dated July 31. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US)

<sup>4</sup> At the bottom of the memorandum, McGeorge Bundy wrote: "done by call to WPB[undy] who agrees. McGB." Thomson, Ropa, and Cooper updated events in Indonesia in an August 9 memorandum to Bundy. They noted that Thomson was in close contact with FE in State and that harassment had ended with an August 7 attack on the U.S. Consulate at Surabaya where the Indonesian security forces "did their honest best to hold back the mob." Green had rejected closing the Medan and Surabaya consulates and expected a "breather" until Sukarno's August 17 speech. Green was described as "very much on top of the situation" and was proceeding with an orderly, quiet reduction of U.S. Embassy staff. State was "back on Green's wave length—alert, concerned, and ready to move fast if necessary. FE has been informed that the President is also concerned." (Johnson Library, National Security File, Name File, Cooper Memos)

**131. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, August 8, 1965, 11:05 a.m.

264. 1. Following are my dominant first impressions of Indonesian political scene. These impressions are shared by senior members of my staff and are reflected in their excellent reports these past several months.

2. *Sukarno is deliberately promoting Communism's cause in Indonesia.* I concur in view already expressed in this Embassy's reporting that Sukarno, who clearly calls the shots here, is attempting to move all forces in Indo society to left or, more explicitly, to policy orientation similar to that PKI. This is being done at as rapid a pace as seems prudent without creating excessive dissidence or coalition of more conservative elements which might conceivably act as coherent restraining influence. Sukarno is not a "Communist" in a formal sense, but he is certainly attracted to Communism as a means of organizing society and advancing his own Marxist-nationalistic ideology. We may look for Sukarno to continue his efforts to develop a family of more or less "Communist" power elements, of which the PKI proper would be an important but not an exclusive element. This (i) gives Sukarno more freedom to operate, (ii) makes some sort of "communization a la Indonesia" more palatable to other groups by allowing them to continue their existence and even to prosper while being altered in their intrinsic content and (iii) provides a more acceptable image abroad in areas of would-be Indonesian or "NEFO" penetration.

3. *Indonesia has become an almost completely closed society.* I was aware in Washington that we were taking a propaganda beating but I was not aware of the extent of this anti-U.S. campaign. Pro-Communist *Antara* News Agency is sole source of foreign news. Indonesian people are receiving steady propaganda diet through speeches of their leaders, press, radio and TV emphasizing seamy side of U.S. domestic life and U.S. "imperialism and aggression" abroad. U.S. efforts to refute hostile propaganda are largely ignored. While many Indonesians say privately that they see merit in our side of story, they are submerged in mass of anti-U.S. rhetoric and distorted news from *Antara* or from Peiping, Pyongyang, Hanoi and Moscow. No one has the guts to print objective views and this is understandable in Indonesia's political environment.

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<sup>1</sup>Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 2 INDON. Secret. Repeated to Hong Kong, Kuala Lumpur, Manila, Tokyo, and CINCPAC for POLAD.

a. Indonesians have developed art of smearing by insinuation to fine point. Usual formula is to print distorted or manufactured allegation against U.S. or other "imperialist" enemy, refuse to print rebuttal, and then take stand that silence by "imperialists" implies consent. This point clearly indicated by Minister Coordinator for Public Relations Ruslan Abdulgani, who said in speech July 27 that absence of denial by UK and Malaysia to Indo charges of subversion in Sulawesi remind one of old Dutch saying that "those who keep silent consent."

4. *U.S. officials in Indonesia are becoming increasingly isolated.* Indonesian contacts shy away from us when political climate heats up, and this is the hot season in Djakarta. For our part we do not press to see them since in present atmosphere this would put them in difficult position. DCM, who has been here on and off since 1949 and who, therefore, has many old Indonesian friends, tells me that he leaves it up to these friends in most cases to see him, wanting to avoid putting them on spot by seeking them out. In most cases they stay away.

5. *Although I see no immediate physical threat to Americans in Indonesia, I believe there is virtue in further contraction of our establishment here.* I lean more and more in favor of withdrawing all university contract Americans. Possibly it would be helpful to convey to Indos impression that we are prepared to pull out completely if conditions worsen appreciably. Perhaps if Sukarno started really to think about it he would begin to realize all the disadvantages and even dangers to him were a break in relations to occur. This is not to deny that there would be disadvantages to us as well, but I feel that Sukarno has come to feel over the last several years that the U.S. has an infinite capacity to put up with Indo harassments and humiliations. If we could shake this belief we might at least buy time. In any case, previous U.S. posture of sweetness and light has been anything but successful in recent past.

6. *I have been unable to establish any kind of dialogue or even antiphonal autologue with Sukarno in short time I have been here.* Process has been inhibited of course by events before my arrival, events following that arrival and perhaps importantly by fact that Sukarno goes into hibernation for three weeks before his annual blockbuster speech on August 17. In fact he raised latter subject with me as first topic in our conversation July 26. Subandrio has avoided any talks with me. Other Indonesians are perfectly pleasant (for example, my wife and I had long pleasant chat with Madame Hartini Sukarno and several cabinet ministers after opening of Book Fair yesterday) but social dealings are as generally reflected in para 4 above.

7. Our style and approach towards Sukarno and company in past years may have been appropriate under circumstances then but I believe time has come to challenge old assumptions, to look at facts anew and to re-examine our posture toward Indonesia. This is process we

must do in orderly deliberate manner. We should avoid to extent circumstances permit any sudden changes of policy or crash operations.

Green

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**132. Memorandum From the Deputy Assistant Secretary of State for Far Eastern Affairs (Berger) to the Staff Assistant of the Under Secretary of State for Economic Affairs (Johnston)<sup>1</sup>**

Washington, August 8, 1965.

SUBJECT

Status Report: Indonesia

*I. Green Recommendations on Staffing*

A. Green foresees no immediate physical threat to Americans. He recommends a further reduction of U.S. establishment in Indonesia, but urges that this be done in a gradual and orderly manner that will avoid indications of a sudden crash operation.

1. He now leans towards withdrawing all university contract Americans.

2. Green plans soon to submit the Embassy's thinking on basic USG contingency planning to counter a possible increase in Indonesian pressures. He feels the recommendations will be more pertinent if made in the post-August 17 context.

*II. Department Actions on Personnel Reduction*

A. We have placed a freeze on the movement of all USG personnel to Indonesia.

B. Our Embassy has been instructed to draw up a plan to reduce its staff to the hard core necessary to maintain essential, as opposed to desirable, contacts and reporting. Our Consulates in Medan and Surabaya have been asked to appraise the present danger arising from the anti-American atmosphere, and to assess the utility versus the risk of maintaining a consular presence.

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<sup>1</sup>Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–9 INDON. Secret. Drafted by Robert P. Myers, Jr., of SPA. Originally directed to Under Secretary Mann, but his name was crossed out and "For James D. Johnston" was typed at the top of the memorandum.

C. On August 6 discussions were held in the Department with representatives of the major U.S. companies with holdings in Indonesia to inform them of our intended course of action and to learn their present views of the situation.<sup>2</sup>

*III. Prospects for August 17*

The separation of Singapore from Malaysia may turn the August 17 Independence Day ceremony into a victory celebration, thereby diverting the major thrust of Sukarno's remarks away from the U.S. and USG policies.

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<sup>2</sup> Berger, Cuthell, and Francis G. Jarvis, Economic Adviser, SPA, and H. Kent Goodspeed met with representatives of the Goodyear Tire and Rubber Company, U.S. Rubber Company, American Overseas Petroleum Ltd., Esso Standard Eastern, and Mobil Petroleum Ltd. (Memoranda of conversation, August 6; *ibid.*, INCO 15-2)

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**133. Memorandum From the Deputy Assistant Secretary of Defense for International Security Affairs (Barber) to the Assistant Secretary of Defense (McNaughton)<sup>1</sup>**

I-25237/65

Washington, August 11, 1965.

**SUBJECT**

Indonesian Claims on Nuclear Capability

On 24 July Sukarno stated that Indonesia would build its own atomic bomb in the near future. He added it would not be used for aggressive purposes. Last November General Hartono, Director of the Army Arsenal said Indonesia planned to explode a bomb in 1969. The same officer declared on 2 February 1965, that 200 scientists were working to produce bomb and promised a "surprise" at the Armed Forces Day celebration in October 1965. A third statement by Hartono made 27 July stated that there is a good possibility that Indonesia will test an atomic bomb following the Afro-Asian conference in Algiers this coming November.

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<sup>1</sup> Source: Washington National Records Center, RG 330, OASD/ISA Files: 70 A 3717, 400.73 Indonesia. Secret. Prepared by Commander Gorman of the Arms and Trade Control Division.

Indonesia does not have the capability to produce an atomic bomb without outside assistance. Therefore, Sukarno's behavior may be explained by the following:

1. Just propaganda.
2. Forthcoming test of a Chinese bomb on Indonesian soil with Chinese cooperation.
3. Forthcoming test of a Chinese bomb with "Indonesian 'participation'" and attendant publicity.
4. Sukarno may denounce the test ban and withdraw from it.

If 1. above is the case and Sukarno is making a strictly propaganda pitch (our Embassy in Djakarta suspects this), then no comment on the part of the United States is required.

Regarding 2., a test in Indonesia, our Embassy remains doubtful that a detonation will take place. Yet the Embassy allows that if the detonation is to be made almost purely for political purposes and if auxiliary scientific expertise needed to collect technical research data is held to a minimum or dispensed with entirely, it is conceivable that a ChiCom-Indonesian collaboration could successfully meet the deadline. Reporting for the ChiCom side, our Consul General in Hong Kong believes the ChiComs would recoil in horror from conducting a test in Indonesia, mainly on security grounds. AmConGen Hong Kong notes that the ChiCom hypersensitivity on maintaining security with respect to conventional military developments is notorious and without question would be even greater with respect to nuclear weapons. AmConGen Hong Kong doubts that the ChiComs would expect that their role could be kept secret. If it became known this would defeat Sukarno's presumed purpose, i.e. that it was solely an Indonesian nuclear breakthrough.

We can not doubt that Sukarno would like to detonate a bomb in Indonesia. He would believe that it would enhance his prestige among the Afro-Asians and it would, quite frankly, shock the British and their Malaysian allies, along with Australia. It would add tremendous drive to Indonesia's plan to set up the Conference of Newly Emerging Forces (CONEFO) as a rival and eventual successor to the UN. The problem is not whether Indonesia would detonate a bomb if they could but whether the ChiComs will help them. We don't think they will. Nevertheless we have requested DIA to intensify their efforts in watching for indications of a preparation of an Indonesian testing site and association of Indonesians with the ChiCom test program.

If it is indicated that the ChiComs and Indonesians are preparing for a detonation then we should

- a) Coordinate early with the British on intelligence.
- b) Prepare a pre-emptive statement which would take much of the wind out of the Indonesian sails.

Regarding 3., a test of a ChiCom bomb in China, with "Indonesian participation,"—we give this a better chance of being carried out than we do a detonation in Indonesia but we are doubtful it will be done. Besides the problem of security, there is the question of whether or not Peiping really wants another Asian state to claim the status of being a nuclear power. AmConGen Hong Kong believes that Peiping is trying to reduce Asian, and especially Japanese, criticism of its nuclear program and wonders if ChiCom nationalistic and chauvinistic pride might not cause them to take a dim view of an additional Asian country attempts to climb on the nuclear bandwagon. We don't think Peiping wants Indonesia alongside—at least for the present. However, we have asked DIA carefully watch for any Indonesian participation in the ChiCom test program.

If there is an indication of this, we should prepare a pre-emptive statement which would denounce the Indo-ChiCom collaborative effort.

The final case is that Sukarno may denounce the test ban treaty and withdraw from it. There is a good chance that this might happen. State believes that recent Indonesian pronouncements regarding atomic bombs point toward the possibility that Sukarno might regard a denunciation of the test ban treaty as valid and dramatic material for use in his 17 August Independence Day speech. State particularly notes Foreign Minister Subandrio's recent statement to the effect that the only real way of removing the threat of nuclear war is for all nations to have their own stocks of nuclear weapons. We recommend:

- a) Watch Sukarno's 17 August speech. In addition to possibility of a test ban denunciation, it may indicate more about a future detonation.
- b) Prepare a contingent statement in case Indonesia withdraws from the TBT.<sup>2</sup>

**Arthur W. Barber<sup>3</sup>**

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<sup>2</sup> In an August 19 memorandum to Barber, (I-25438) Acting Director of the Far East Division of ISA William C. Hamilton, wrote "there is enough of a possibility that Indonesians may acquire an atomic device and explode it for psychological reasons to warrant an investigation by the intelligence community and to prepare a public position." Hamilton suggested consulting the Department of State. (Ibid.) On September 22 Barber wrote Deputy Assistant Secretary of State for International Organization Affairs Joseph J. Sisco a letter stating that "there was a very real possibility that an atomic bomb will be set off in Indonesia in October, with Chinese assistance." Barber hoped that the United Nations could pass a strongly worded resolution condemning any such test. (Ibid.)

<sup>3</sup> Printed from a copy that indicates Barber signed the original.



**134. Memorandum of Conversation<sup>1</sup>**

Washington, August 18, 1965, 8:15 p.m.

**PARTICIPANTS**

The Secretary  
Under Secretary Ball  
Assistant Secretary MacArthur

Senator Fulbright  
Senator Gore  
Senator Symington  
Senator Pastore

**SUBJECT**

Breakfast Meeting and Informal Discussion of Indonesia

The subject of Indonesia came up briefly at the breakfast meeting this morning attended by the above persons. The Senators were interested in what Sukarno had said in his August 7 [17] Independence Anniversary speech. Under Secretary Ball observed that the US rather than Britain and Australia had been singled out for attack although perhaps the attack was less violent than one might have expected. The speech clearly aligned Sukarno and Indonesia with the Communist World in terms of objectives and purposes.

There was then an inconclusive discussion about the role of the PKI and the army in Indonesia, during which the Under Secretary indicated that Sukarno's activities had considerably aided the PKI's penetration of the government. One of the Senators said that he understood the army would oppose the PKI. The Under Secretary commented that the situation would not arise as long as Sukarno was at the helm. Should Sukarno disappear, and there were rumors that he had been quite ill recently, it was not clear and predictable whether the army would go all out against the PKI or whether the PKI processes of infiltration of the government had reached that point where the army would try to accommodate itself with the PKI in some form of *modus vivendi*. Much might depend on the kind of action the PKI initiated should Sukarno disappear and this is unpredictable at this juncture.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON. Confidential. Drafted by Douglas MacArthur II. Copies were sent to Ball, Rusk's Special Assistant C. Arthur Borg, Read, and William Bundy. The time of the meeting is from the Johnson Library, Rusk Appointment Book.

### 135. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, August 23, 1965, 0930Z.

403. 1. Following is my assessment of where we stand following Sukarno's August 17 attack on US.

2. There are widely differing interpretations of speech and its implications.

A. Many, who emphasize what Sukarno might have said or done, consider speech "mild." Australians, British and Indians here hold view, but my Australian colleague (Shann) showed me his report to Canberra which ends on note that despite "mildness" of speech he "does not take much comfort from it."

B. Others view speech as further tightening of inexorable process by which Sukarno, singlehandedly but with support PKI and others, subverts that large, unknowing and basically unwilling part of Indo people and induces them to accept a Communist-oriented state and severance of ties with USG. Subgroup of Indos who share this general view realizes what Sukarno is attempting to do but prefers ignore or downplay his effectiveness in belief they can achieve their own narrow objectives (usually profit) and live until pendulum swings back from extreme left. Latter group includes some of Indo army and many private entrepreneurs.

3. Future events will show which of foregoing closest to truth. We can take some satisfaction from fact Sukarno did not attack President Johnson or mention CIA. However US was only nation singled out for strong attack and I believe we should get across the idea that we are anything but happy about speech and that there are limits to what any nation can take in terms of abuse, damage to property, etc.

4. Process of implementing Aug 17 address will probably be one in which Sukarno's ministers and others will attempt sense what speech means by offering to Sukarno for approval those actions they believe he wants. Significant so far in this respect is campaign to have US Consul Surabaya declared *persona non grata* (Embtel 365).<sup>2</sup> Press charges August 21 that American missionaries implicated in recent civil unrest in West Irian may be another example.

5. We interpret August 17 speech to mean that USG is in for continued difficulty in trying to do normal business in Indonesia. We

<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US. Secret. Repeated to CINCPAC for POLAD.

<sup>2</sup> Dated August 8. (Ibid., POL 17 US-INDON)

believe Sukarno again gave clear signal that he will keep heat on US unless and until we change our policies toward Malaysia, Vietnam and elsewhere to conform to his wishes. If not, he threatens action against US business interests and has, in effect, given green light for further "expressions of peoples' will" against official US installations.

6. By same token we believe speech indicates Sukarno not now ready for break with USG. Relating future of American business enterprises to Malaysia rather than to Vietnam may mean he still hopes get some mileage from US on Malaysia now that Singapore has withdrawn. Subandrio implied as much during my call August 12 (Embtel 318).<sup>3</sup> We may as result have some slack, but probably not much.

7. August 17 speech and other recent events also indicate we probably cannot have much direct impact on Indonesia's policymaking through normal diplomatic exchange as long as Sukarno is in control. As a result of his own complexes, Marxist political views and suspicions arising from 1958 events and later, Sukarno has clearly identified US as enemy. No Indonesians influential in governing processes are likely to stand up to him even if he should push relations with US to breaking point. We also cannot realistically expect to have decisive influence on other power groups, such as mil although it important we maintain contact with them.

8. Although prospects for short run gloomy, there is very useful role for USG to play in Indonesia. Following are among things we can and should do as long as we can stay here with dignity:

A. Maintain whatever contact possible with military and other elements in power structure, looking toward post-Sukarno period.

B. Maintain basic diplomatic and hopefully consular presence here, again looking toward time when we may be able operate more effectively.

C. Continue do useful political, economic and especially intelligence reporting. While Washington best judge, we believe it important maintain full flow reporting to build basic background in event diplomatic relations broken and also fill gaps created by Indonesia's drastic reduction in contacts with free world.

D. Identify Indonesia maneuvers and aspirations to Afro-Asian and Latin American countries and, either directly or through third countries, subject these to cold light of publicity.

E. Attempt to get some objective news reporting info Indonesia through VOA, Embassy news bulletins, and other means. Effect these efforts likely to be limited, but Indonesians now almost completely cut

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<sup>3</sup> Dated August 13. (Ibid., POL INDON-US)

off from free world news sources and it essential we do what we can to fill gap (Embtel 384).<sup>4</sup>

F. Attempt dialogue with Sukarno. Despite fact we basically aiming at post-Sukarno period, I will attempt establish dialogue with Sukarno but I hesitate to reach any conclusions right now on whether Sukarno prepared to continue this kind of relationship, or if he is, how productive such a line of effort would be. Experience over past year suggests it has definite limitations.

9. As I see it, we need, by trial and error, to find correct balance of carrot and stick. Petulance or overreaction by USG would probably drive Sukarno to extremes. Under reaction on our part makes us look foolish to our friends abroad and to some Indonesians. I believe we struck about right balance in August 17 celebration. I attended speech, palace reception, film show on Indonesia's accomplishments, and opening of development exhibition but stayed away from cultural evening (North Vietnamese performed) and parade. Sending modified Presidential message of congratulations on 20th anniversary was just about right.

10. It difficult now to come up with precise recommendations on size and nature of our mission here. While Dept and Embassy seem to be fully agreed on reduction of mission along lines of para (a) of Embtel 302,<sup>5</sup> how far we should go with regard to (b) and re other issues will become more apparent in coming weeks. Indocom is one sensitive problem which could affect our relations in short run. University contracts are another and I am pleased with Dept's approach para 2 Deptel 196.<sup>6</sup> Since we cannot overload the line, I would prefer delay final decision on future university contracts at least until Philco issue decided. For the present I can only urge that we maintain flexibility in order to be in best position cope with situation. I have asked our Consuls in Medan and Surabaya to come to Djakarta for discussions later this week. Following these discussions and probable further developments by Indos we will be in better position make firm recommendations.

**Green**

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<sup>4</sup> Dated August 21. (Ibid.)

<sup>5</sup> Dated August 12. (Ibid., PER 4-1 DJAKARTA)

<sup>6</sup> Dated August 20. (Ibid., EDX-31 INDON)

**136. Editorial Note**

On August 23, 1965, James C. Thomson, Jr., Donald Ropa, and Chester L. Cooper of the National Security Council Staff sent the President's Special Assistant for National Security Affairs McGeorge Bundy a memorandum highlighting the principal events and issues for U.S. policy and relations with Asia for the previous week. The report on Indonesia, written in unmistakable Komer style, follows:

August 17th has come and gone with relatively little change in Indo/U.S. relations; Sukarno was milder than many had anticipated, although Marshall Green seems a bit shocked by his first full exposure to the Bung's [Sukarno's] Marxian rhetoric. George Ball has stimulated a new State effort at the old question of Whither Indonesia?, and this can be educational for all hands as well as putting the brake on any 7th floor tendency towards impulsive action. Thomson is keeping his nose under this tent. (Johnson Library, National Security File, Name File, Cooper Memos)

The reference to Ball's re-examination of U.S. policy towards Indonesia is elaborated upon in William Bundy's foreword to Marshall Green, *Indonesia: Crisis and Transformation, 1965–1968*, pages x–xii. Bundy recalls that Ball convened in late August 1965 "an impromptu meeting of about a half-dozen officials in his office." Ball asked wasn't it true that in terms of size and importance "Indonesia was objectively at least on a par with the whole of Indochina?" The consensus of the meeting was that it was. Ball then asked was not "a far-left, if not a totally communist, takeover there, on existing trends, only a matter of time, with immense pincer effects on the position of the non-communist countries of Southeast Asia?" Bundy recalls that the consensus held that the scenario described by Ball was inevitable. Then Ball asked was there something that could be done to slow or counter this trend. The consensus was, "there was not a single friendly element or favorable factor that could be effective, even if it were wise to seek to galvanize it." In discussing Indonesia at an historical conference at Annapolis in 1995, Bundy also recalled that Ball asked the Central Intelligence Agency's representative if the Agency could use its assets to reverse this trend in Indonesia. Bundy recalled that the representative replied the Agency did not have good assets in Indonesia and was unable to make much of an impact.

### 137. Special National Intelligence Estimate<sup>1</sup>

SNIE 55-65

Washington, September 1, 1965.

#### PROSPECTS FOR AND STRATEGIC IMPLICATIONS OF A COMMUNIST TAKEOVER IN INDONESIA

##### The Problem

To estimate the chances and implications of a Communist takeover in Indonesia within the next two or three years.

##### Discussion

##### *I. Prospects for a Communist Takeover*

1. Sukarno is the unchallenged leader of Indonesia and will almost certainly remain so until death or infirmity removes him from the scene. He is developing in Indonesia an authoritarian government of the "national-front" type on which the Indonesian Communist Party (PKI) exerts the strongest influence, though under his own continued domination. The past year or two have been characterized by rapid progress toward this objective. The PKI now claims 3,000,000 members and is by far the best organized and most dynamic political entity in Indonesia. With Sukarno's support, the Communists and their sympathizers have come to occupy a major position in the central government and in numerous provincial and local administrations. Whatever its present influence on Sukarno, it is clear that the PKI finds Sukarno's policies, both domestic and foreign, compatible with its own interests. It does not create these policies, but provides specific suggestions on method and timing which Sukarno finds acceptable. His own predilections, skillfully played upon by the PKI, have brought his foreign policy into close harmony with that of the Communist states of Asia.

2. Communist fortunes in Indonesia will probably continue to prosper so long as Sukarno stays in power. As in the past, however, he will probably move cautiously in expanding PKI participation in the government so as to avoid creating excessive domestic unrest or encouraging a coalition of non-Communist elements. If Sukarno lives, it is probable that in two or three years the Indonesian state will be

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<sup>1</sup> Source: Department of State, INR/EAP Files: Lot 90 D 165, SNIE 55-65. Secret; Controlled Dissem. The Central Intelligence Agency and the intelligence organizations of the Departments of State and Defense, and the NSA prepared this estimate which was approved by the members of the U.S. Intelligence Board on September 10, except the representatives of the AEC and FBI who abstained on the grounds the topic was outside their jurisdiction. A note on the covering sheet indicates that this SNIE supplements NIE 54/55-65 (Document 126).

sufficiently controlled by the Communists to be termed a Communist state, even though Sukarno remains the acknowledged leader. It will probably not be possible, however, to detect any precise moment at which the Communists "take over," unless Sukarno chooses to proclaim it. We believe that domestic political considerations and his desire to bequeath his personal political concepts to Indonesia will lead him to refrain from such an announcement. Conceivably, the PKI leaders could become powerful enough to threaten Sukarno's own dominance, but since his policies are likely to remain along lines generally favorable to them, they are unlikely to take risks in order to seize power.

3. In the event of Sukarno's early death or incapacity, the PKI drive to power would probably be slowed for a time. Though there would be considerable political turmoil and perhaps some violence, the successor government would probably be headed at first by a coalition of familiar non-Communist military and civilian names. The PKI could probably not be denied an important share in this government, both because of its established position and because the military would probably be reluctant to risk civil war to initiate a roll back of the Communists. On the other hand, the party would no longer benefit from Sukarno's patronage and would have to rely entirely on its own strengths and capabilities, which though considerable would probably be insufficient to encourage an open challenge to the military. Hence, we believe that the PKI would not attempt to seize full power by force in the months following Sukarno's death if that occurred at any early date.

4. The longer Sukarno lives, the better will be the position of the PKI after his death. Another two or three years of his rule are likely to weaken anti-Communist elements in the army and elsewhere to the point where, at his death, the Communists would have a good chance of taking over full power. We do not exclude other possibilities, however, such as the emergence of a coalition of anti-Communists leading to a protracted stalemate or to a conflict which could break up the Indonesian state.

## *II. Implications*

5. Sukarno's Indonesia already acts in important respects like a Communist state and is more openly hostile to the US than most Communist nations. Much of the damage that an avowedly Communist Indonesia could do to the Western position in the Far East is being done (e.g., "confrontation" of Malaysia and subversion and infiltration in the Philippines) and neither Sukarno nor any probable successor government is likely to abandon efforts to weaken the West in this area.

6. Nevertheless, the overt accession to communism of a country like Indonesia—large, populous, rich in resources, and strategically

situated—would have an important impact on other countries in South and East Asia. Peking would be especially gratified by the triumph of one of its closest associates and, for a time, would probably offer close cooperation in the Malaysian area. Both Peking and Hanoi would be encouraged in their struggle with the US in Vietnam, while the confidence of Laos, Thailand, and South Vietnam would be undermined. The advent of a Communist state on the Indian Ocean would make India increasingly nervous.

7. Given Indonesia's limited military capability and its many strategic vulnerabilities, a Communist Indonesia would pose only a potential threat to the Western position in Southeast Asia and to important world sea and air lanes. The threat of a Communist Indonesia would be felt most immediately in Malaysia, the Philippines, and Australia, and would lead their governments to make urgent demands for substantial US and Commonwealth military support.

8. The conservative Malaysian government would despair of a satisfactory settlement of its dispute with Djakarta. Furthermore, it would expect intensification of Indonesian efforts to subvert the peninsular Malays, and increased cooperation between Djakarta and Peking in arming and training dissidents on the Thai-Malayan border and in northern Borneo. Singapore would face an intensified effort to subvert its Chinese population. Both governments would face increased pressure by all left-wing political and labor groups. The Commonwealth presence would probably make it possible for moderate governments in the two states to survive for the period of this estimate, but over a longer period the existence of a Communist Indonesia would cause their chances of survival to diminish.

9. The Philippine Government, already concerned about Indonesian infiltration of the southern islands as well as Djakarta's clandestine political activities in Manila itself, would show real alarm. Irritants in its relations with the US would probably be submerged for a time in a sense of common danger. The Australians would fear for East New Guinea and their lines of communication to Europe and the Far East.

10. As a major Communist state led by a markedly independent and self-reliant party, Indonesia would become the object of more intense Sino-Soviet rivalry. Moscow would probably increase its military and economic assistance in hopes of encouraging the development of a second Asian Communist power center to compete with Peking. For its part, the PKI would probably take a friendlier attitude toward Moscow in the interest of material gain. Peking would, of course, increase its efforts to tie Djakarta even more closely to Chinese policy in the Far East. But it is likely that PKI foreign policy decisions, like those of Sukarno, would stress Indonesian national interests above those of Peking, Moscow, or international communism in general. The



pursuit of these national interests would be more likely to lead to friction with the Chinese Communists than with the Soviets. Thus, Indonesia's formal accession to communism, while immediately strengthening the Communist side, would contribute over the longer run to transforming the Communist world into a looser association of sovereign states.

11. A Communist Indonesia would probably not become of major military significance to either Moscow or Peking during the period of this estimate. An Indonesia openly led by the PKI might ask for security guarantees from Moscow and Peking, and such requests might, in the circumstances, be difficult to reject. We believe that the PKI leaders would be sufficiently nationalistic to refuse to grant air or naval bases or missile sites to either Moscow or Peking, though it is possible that they would permit one or both to use existing Indonesian bases for logistical purposes, thereby greatly extending the range, for example, of their submarines. In any bargaining with Moscow or Peking on the subject of bases or missile sites, the Indonesians would undoubtedly be favorably impressed by offers of nuclear weapons in exchange. It is extremely doubtful, however, that Moscow would make such an offer, and, over the next two or three years, unlikely that Peking would be in a position to do so.

12. In the short term, Indonesia's formal accession to communism would have a heavy impact on world politics. It would be seen as a major change in the international balance of political forces and would inject new life into the thesis that communism is the wave of the future. But while Communists around the world would be encouraged, and their opponents disturbed, this event would not by itself cause other nations to follow suit or even necessarily to alter their foreign policies.

13. The longer term impact of a Communist Indonesia would depend primarily on the degree of success or failure which the PKI met as it moved to energize and unite the Indonesian nation. If these efforts succeeded, Indonesia would provide a powerful example for the underdeveloped world and hence a credit to communism and a setback for Western prestige. It is much more likely that the early years of a Communist Indonesia would be occupied with consolidating political control and resuscitating the Indonesian economy and that, during this period, Indonesia would be more liability than asset to the Communist powers.

**138. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, September 1, 1965, 0400Z.

486. 1. Sukarno was friendly and relaxed throughout my forty-five minute call at his office Aug. 31. Most of our conversation was small talk and story telling, but was not without its serious moments and verbal fencing. I doubt that anything was accomplished beyond establishing some rapport with the man who controls the destiny of this country. At no point did he raise old favorites like Malaysia, Vietnam, Congo, etc. He was on his good behavior. No others present.

2. Sukarno inquired whether I really understood nationalism in Asia and sentiments of Asian people. I assured him I did, that nationalism is a force we respect in developing national consciousness and unity, that we fully support Indonesia's territorial integrity and welcome its economic advancements and self-reliance, that I nevertheless recognize that I have much to study and learn about Indonesia just as any Indonesian would wish to study and learn more about the United States. For this reason I felt strongly about the need for close dialogue, student exchanges, free circulation of information about each other's countries, etc.

3. Sukarno then spoke of basic principles behind Indonesia's revolutions and reminded me of Sun Yat-sen's dictum to effect that it is easy to speak and to act in regard to another nation but it is most difficult to understand it. Sukarno then inquired whether we really understood the forces of revolution and change in this part of the world. I said I thought we did although, here again, America and Indonesia still had much to learn about each other. We too are a country in revolution—not just technically and scientifically, but politically as well, as witness way Pres Johnson facing boldly up to problem of promoting complete racial equality and improvement of lot of negroes.

4. In expressing hope that ways could be found for improving Indo-US relations, I mentioned that a major obstacle was Indonesian actions against American properties and our concern over safety of our people (I alluded to missionaries in this regard). Sukarno replied that popular feeling against the United States, including demonstrations, was bound to continue as long as American newspapers and magazines printed defamatory articles about Indonesia and its leaders. This led to discussion along lines so familiar to my predecessor. I

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 15-1 INDON. Confidential; Priority. Repeated to CINCPAC.

pointed out that Indo actions as well as statements against US engendered a lot of anger back home. At same time I recalled no instance where our President or anyone in high authority had shown anything but restraint and understanding in their statements about Indonesia. Sukarno seemed to brush this aside. He displayed genuine concern about critical articles regarding him and Indonesia appearing in American publications, specifically mentioning *Time*, *Life*, *Newsweek* (probably because they have wide circulation in Afro-Asian countries), and he asked me several times whether something could be done to halt these injurious representations of Indonesia to the world. He cited *Time* article about Queen of Cambodia as prime example of bad American journalism. I replied that this article was mild compared to what Prince Sihanouk had said over Khmer radio about President Kennedy shortly after his death. I quoted those infamous words. Sukarno was visibly shocked but he merely said with feeling: Kennedy was a great man.

5. Conversation was interlarded with many stories and lighter touches. In conclusion, I expressed hope we could keep in close touch and that I knew he preferred informality which I did too. As we walked to door, Sukarno and I agreed that we would only tell the press that this was a courtesy call in course of which we had a general discussion. This he relayed in both Indonesian and English to the considerable group of newsmen and photographers outside. (Morning Indonesian press quotes Sukarno along these lines.) Sukarno escorted me to car and cordially waved goodbye in full view of those present. I smiled too, but vaguely wondered when the next low blow would come.

**Green**

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### **139. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, September 10, 1965, 8:08 p.m.

435. 1. Department has given careful consideration to current situation in Medan and Surabaya, including recommendations your 598 and

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–8 INDON. Secret; Immediate. Drafted by Cuthell, cleared by Berger and McGeorge Bundy, and approved by Rusk. Repeated to Manila for FELG and CINCPAC for POLAD.

609,<sup>2</sup> has concluded that what we faced with is culmination concerted campaign by PKI and probably others to bring about closing of our consulates, with collusion or tacit approval by Central Govt. We recognize possibility that GOI motivation may be complicated by desire use pressure on consulates as weapon against us, that it may find role of consulates as "whipping boy" useful to head off internal confrontation, and that it may lack ability control extremist actions in provinces.

2. We suspect GOI attitude may be composite of foregoing, but regardless of motivation GOI has created situation which is making our position untenable, and we do not see significant chance for improvement. We believe any further deterioration will introduce serious danger to personal safety of Americans in provinces, though perhaps not in Djakarta.

3. With this in mind, we believe time has come to demand explicit and effective guarantee from GOI of security American persons and property in Indonesia from both mob action and harassment by either public or private Indo groups or people. Failing receipt of such guarantee in credible form in very near future, we intend close Surabaya Consulate. Without specifying Surabaya Secretary will make this position clear to Palar today, noting that if we find such action necessary we will have to look into question of continuation of Indo presence here in its present form. Our current thought is that, if Indos do not follow through, we would close Surabaya late next week. Report Secretary's meeting with Palar will follow septel.<sup>3</sup>

4. We fully aware value of Surabaya as listening post and that consular district contains number of American citizens, but feel we are too close to end of line to let these considerations outweigh need for action on our part. We also feel that if Indos fail to act and we close Surabaya, GOI will be faced with decision to protect Medan or face seeing it go too. If GOI really wants both consulates shut (at clearly implied price their consulates here) they will produce this result themselves at time their choosing with maximum damage to us. If they do not want both closed, vigorous action re Surabaya may bring about more cautious action re Embassy and Medan. We also recognize chance that Indos will interpret closing as hostile gesture, but believe we must take this chance.

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<sup>2</sup> In telegrams 598 and 609 from Djakarta, both September 10, Green urged that Rusk call in Indonesian Ambassador Palar to protest demonstrations against U.S. Consulates and to "make it painfully clear to him that any serious attacks against our properties or persons will force the US to take important decisions re its relations with Indonesia." Green recommended that Rusk imply that the United States might close its consulates, even the Embassy, and require Indonesia to do the same. (Ibid.)

<sup>3</sup> For the Rusk-Palar meeting, see Document 140.

5. In order to have decks cleared and to minimize danger to individuals next week, believe you should bring dependents and any employees who can be spared from Surabaya to Djakarta during next few days, i.e. prior closing, and that Surabaya should complete maximum destruction classified material. Do not suggest, but do not wish foreclose if you think necessary, similar action with Medan at this point. At political level, you should follow line Secretary takes with Palar (septel) with Subandrio, Suwito or any other responsible Indonesian you can find so that we can be sure message gets through.

6. Request info current summary non-Govt U.S. citizens in Surabaya district, your plans for notifying them if Consulate closes, your views on probably academic question protection U.S. Govt property after closure.

**Rusk**

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#### **140. Memorandum of Conversation<sup>1</sup>**

Washington, September 10, 1965.

##### **SUBJECT**

Secretary's Conversation with Ambassador Palar

##### **PARTICIPANTS**

The Secretary  
Ambassador Lambertus N. Palar, Indonesian Embassy  
Mr. Samuel D. Berger, Deputy Assistant Secretary of State for Far Eastern Affairs  
Mr. H. Kent Goodspeed, Officer-in-Charge, Indonesian Affairs

1. The Secretary told Ambassador Palar that he had asked him to come in regarding the serious problem of Indonesia not affording the

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 17 US–INDON. Confidential. Drafted by Goodspeed and approved in S on September 20.

most elementary rights of legation to diplomatic and consular establishments.

2. The Secretary said that the United States was becoming increasingly concerned about the repeated intrusions in Indonesia on the rights of legation, which have been recognized for many years as fundamental to the elementary proprieties of international conduct. We afford these rights to Indonesian representatives in the United States, and we expect them to be afforded our representatives in Indonesia. The United States must know more clearly what the intentions of the Indonesian Government are. We find the present situation intolerable. If the Government of Indonesia really wants a continuation of diplomatic relations, it must afford adequate protection to our personnel and our installations.

3. The Secretary emphasized that he was not discussing any of the foreign policy issues about which Indonesia and the United States have different opinions. Rather, he was referring to the structure of diplomacy by which foreign relations are carried out. The most basic requirement of this structure is that diplomatic representatives be protected and allowed to conduct their business without harassment. The Indonesian Government is not providing this protection.

4. Ambassador Palar said he regretted the attacks on our establishments which had taken place. He attempted to explain them by saying that Sukarno allows demonstrations so that he may respond to the wishes of the people, and that unfortunately sometimes the demonstrations get out of hand, particularly outside of Djakarta. Sukarno's strength, he said, is that he never goes beyond what he knows the people of Indonesia want.

5. The Secretary responded that the United States does not underestimate the leadership qualities of President Sukarno, which have been manifested in many ways. In this matter, however, we have not heard him tell the Indonesian people to respect the right of legation. What we have heard him say would tend to encourage demonstrations, not restrain them. We do not believe that President Sukarno is helpless in the face of public opinion. Our impression is that he is the leader of Indonesia, who shapes and molds public opinion in his country.

6. The Secretary emphasized that it is of the utmost importance that the highest level of the Indonesian Government understands that if Indonesia wants relations with the United States, it must correct the situation which has developed and which has now become dangerous. If the Indonesian Government allows mass demonstrations to continue to the point where we can no longer operate and where the safety of our people is involved, we shall have to examine the position of Indonesian installations in the United States. Before departing, Ambassador Palar said that he was embarrassed by what is happening in

Indonesia and that he had no excuse for it. He would convey the Secretary's request to his Government immediately.<sup>2</sup>

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<sup>2</sup> According to telegram 329 to Djakarta, September 17, Palar called on Rusk on that day to "reaffirm GOI intention honor rights of legation." Palar stated that the Indonesian Government would allow and, on occasion encourage, demonstrations, but it had issued strict orders to the police to prevent violence. (Ibid., POL 23–8 INDON)

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**141. Memorandum From James C. Thomson, Jr., of the National Security Council Staff to President Johnson<sup>1</sup>**

Washington, September 14, 1965, 8:30 p.m.

SUBJECT

Developments in the Far East

This is the second of the series of daily regional reports of possibly newsworthy items.

[Here follows a report on Vietnam.]

*Indonesia*

The going here is rough and will probably get rougher. The riots against our consulate at Surabaya caused Secretary Rusk to dress down the Indo Ambassador and demand assurances of protection for U.S. lives and property.<sup>2</sup> Foreign Minister Subandrio has now given Ambassador Green such assurances; but we remain skeptical, and the Indo Communist Party may well be mounting a new offensive to force us out of our two consulates (and eventually out of the country altogether). An Indo-U.S. break would be a major victory for the Communists;

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President, McGeorge Bundy, Vol. 14, Sept 1–22, 1965. Secret. There is an indication on the memorandum that the President saw it.

<sup>2</sup> See Document 140.

relations are far harder to re-open than to break. But the Indo Government may hold the key.<sup>3</sup>

Our main objective remains to ride out the long storm with battened hatches (reduced diplomatic staffing) in an effort to play for the long-term post-Sukarno stakes. [We have solid new reports of Sukarno's deteriorating health.]<sup>4</sup>

One item that caused concern in the press and on Capitol Hill is now dead and buried: the Indo Army has rejected a U.S. company's offer (Philco) to buy Government-licensed equipment for three sites of a fixed-site telecommunications project. Because of our still friendly relations with key Army leaders, we would prefer to see this piece of news soft-pedalled.

[Here follow reports on "Japan, Australia, Taiwan, and Communist China."]

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<sup>3</sup> In a September 23 memorandum to the President, which Johnson saw, Cooper and McGeorge Bundy informed the President that Indonesian harassment of U.S. Consulates continued and the Department of State was considering closing them unless Indonesia took steps to protect them. Bundy and Cooper noted that Green believed closing the consulates under PKI pressure would "only whet the appetite" of anti-American forces and the Embassy would be the next target. Bundy and Cooper noted that the Department of State was under considerable pressure to reduce official representation in Indonesia to a minimum, and "the prospects for continued diplomatic relations with Indonesia become dimmer every day." (Johnson Library, National Security File, Country File, Memos to the President, McGeorge Bundy, Vol. 14, Sept. 1-22, 1965)

<sup>4</sup> Brackets in the source text.



# Coup and Counter Reaction: October 1965– March 1966

## 142. Memorandum for President Johnson<sup>1</sup>

Washington, October 1, 1965, 7:20 a.m.

### *Indonesia*

(Following is the text of a CIA situation report.)

A power move which may have far-reaching implications is under way in Djakarta.

A group which calls itself the "30 September Movement" claims to have forestalled a "Generals' coup" in Indonesia.<sup>2</sup> A number of unnamed generals and politicians have been arrested, and the homes of Defense Minister General Nasution and Army Commander General Yani are under guard.

A decree issued on 1 October by Lt. Colonel Untung, Commander of the Presidential Bodyguard, stated that the government would be administered by an Indonesian Revolution Council. According to the decree, the council will follow already established government policies, and council membership will be announced shortly.

No mention has been made of any active role by Sukarno. The government radio initially announced that the 30 September Movement was organized to "save President Sukarno whose health was in danger." It later commented that he was safe and "continues to carry out the leadership of the state."

The 30 September group claims that the alleged Generals' plot was American inspired. The US Embassy's external telephone line was cut three hours before the Indonesian Radio announced that the "coup" had been thwarted. Troops are stationed at the Embassy.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. V, Memos, 10/65–11/65. Secret. There is an indication on the memorandum that the President saw it.

<sup>2</sup> In Tosec 34 to USUN, October 1, the Department transmitted a memorandum, originally prepared by Underhill for William Bundy, to Rusk and Goldberg both of whom were at the United Nations. The memorandum noted that the 30th of September Movement had installed a 40-man Revolutionary Council led by Untung who had a "military police background and was trained in the United States," although he was unknown to the Embassy. Underhill considered that the way the Revolutionary Council was virtually ignoring Sukarno "suggests he is either dead or completely incapacitated," and noted that as a senior member of the Palace Guard, Untung was in an ideal position to know if Sukarno had been suddenly stricken. Underhill summarized the proclamations issued by Untung, and weighed 4 unfavorable tentative indicators against 3 favorable ones. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–9 INDON)

The immediate purpose of the 30 September Movement appears to be the elimination of any political role by anti-communist Army elements and a change in Army leadership. Action against similar Army elements apparently is also planned outside Djakarta. The affair may also be used to generate new Anti-American activity.

It seems likely that Sukarno knew in advance of the movement and its intention. Prime movers in the whole affair, however, in terms of timing and detailed planning may well have been First Deputy Prime Minister Subandrio and Communist Leaders who are close to him and to Sukarno.

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**143. Memorandum of Telephone Conversation Between Acting Secretary of State Ball and Secretary of Defense McNamara<sup>1</sup>**

Washington, October 1, 1965, 9:30 a.m.

Ball thinks the business in Indonesia has a very bad smell. It looks more and more as though this is a PKI operation but he could not be sure. Ball's feeling is that this may be the first step toward a Communist takeover. They have pushed the young officers out in front. The PKI headquarters seem to be going ahead without any strain and the people we have depended on in the Army are under house arrest or have been shot—we do not know. The people on the list are not terribly reassuring. Subandrio is on the list but as number nine. It is not a healthy situation on its present appearance.<sup>2</sup>

Ball said we are taking a look at the contingency plans that have been made. Ball asked if McNamara's people could take a look and

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<sup>1</sup> Source: Johnson Library, Ball Papers, Telephone Conversations, Indonesia [4/12/64–11/10/65]. No classification marking.

<sup>2</sup> Ball also called Rusk at 10 a.m., McGeorge Bundy at 10:35 a.m., and Helms at 11:35 a.m. In the conversations with Rusk and McGeorge Bundy, Ball reiterated his concern as expressed to McNamara, but with McGeorge Bundy Ball noted that there was an FBIS report that the Indonesian Army had retaken the Djakarta radio station. Ball asked Helms "if we were in a position where we can categorically deny this involvement of CIA operations in the Indonesia situation." Helms replied, "yes; that he had been in touch with Rayborn [Raborn] by phone and had gotten his permission to identify himself with Helms in denying it so they are solidly lined up." Helms stated, "they had had absolutely nothing to do with it. [1 line of source text not declassified]." Ball called Rusk again at 3:15 p.m. to inform him that there was a counter coup led by Nasution "which would mean bringing back Sukarno in some way." (Ibid.)

see if there are any ships in the area and perhaps we should talk to the British and the Australians about putting some aircraft into Singapore in the event we have to take some people out. We have a couple of thousand Americans throughout the islands.

McNamara asked Ball if he were only thinking of evacuation and not any other plans. Ball said he would not know about this until the situation clarified. McN asked what kind of clarification could lead to other action—a definite Communist takeover? Ball replied he thought the situation hopeless. McN said what Ball then was really asking was for them to examine possibility of evacuation. McN said they would go to work on it.

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#### **144. Memorandum of Telephone Conversation Between Acting Secretary of State Ball and Senator William Fulbright<sup>1</sup>**

Washington, October 1, 1965, 3:45 p.m.

Ball called Fulbright re the Indonesian situation and said it is very murky still. There has been a coup and counter-coup and we cannot tell how successful the counter-coup has been. Ball said quite definitely the first coup would appear to have been from the leftist side. It was by group of young officers but most of the council they set up are pretty far on the left and there is very big question as to how much PKI were instrumental in this or at least aware of it. There was a lot of activity in PKI Hq which remained open. We have had in past three hours report that Nasution had gotten hold of other army elements and taken back Djakarta radio station and rescued Sukarno and to what extent he has been able to get control of the situation is not known. Ball said if it would be useful to Fulbright he could send someone up to give him drill. Fulbright said Lausche and some others wanted to have a meeting but he had gotten a report that there was not enough information to warrant it. Fulbright said in view of circumstances he did not think it would do much good. Ball said it is very hard to know just what the situation is—they simply say Sukarno is fine and that they had rescued him. The other side said Sukarno was in good health. Ball said he has feeling if Nasution takes over he may keep going and clean up PKI—this is the most optimistic expectation

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<sup>1</sup>Source: Johnson Library, Ball Papers, Telephone Conversations, Indonesia, [4/12/64–11/10/65]. No classification marking.

but it is unclear at the moment. Fulbright again said in view of tentative nature of it it would be waste of time for Ball to send someone over until Monday.<sup>2</sup> Fulbright asked if Nasution was best bet and Ball said he is about the best bet but that the army's antipathy to PKI is not based on ideology—but the army may not be in a cushy spot—it is [an] ignoble motive. Ball and Fulbright agreed they could not depend on any Indonesians.

[Here follows discussion unrelated to Indonesia.]

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<sup>2</sup> October 4.

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#### 145. Memorandum of Telephone Conversation Between Acting Secretary of State Ball and Secretary of State Rusk<sup>1</sup>

October 2, 1965, 10:45 a.m.

Secretary wanted to know if there was anything special this morning on Indonesian situation. Ball mentioned the telcon during the night,<sup>2</sup> which Secretary said he had seen. Ball said situation still pretty opaque, but definite indications that army under General Suharto<sup>3</sup> and, from that point of view, doesn't look too bad. Ball said PKI have definitely aligned themselves with Untung side which seems to be the losing side. Secretary said this could work out advantageously later in the

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<sup>1</sup> Source: Johnson Library, Ball Papers, Telephone Conversations, Indonesia. [4/12/64–11/10/65]. No classification marking. Ball was in Washington, Rusk was in New York.

<sup>2</sup> In this teleconference, October 2, Ball asked the Embassy four questions: what was the current situation, who was in ascendancy, what was Sukarno's status and if unknown, what was the Embassy's estimate, and what was the situation with the PKI? The Embassy responded that Djakarta was relatively quiet with forces loyal to Untung no longer a major military threat. Suharto was in ascendancy, Sukarno's status was unknown, but he was not supporting the Army. He was in order of probability either dead, incapacitated, in custody, waiting for the dust to settle, or he masterminded the whole affair to discredit the Army (highly unlikely). PKI was not active but still prepared and able to combat Army repression. Green did not think evacuation of Americans was necessary and could even be counterproductive. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–9 INDON)

<sup>3</sup> The CIA prepared an intelligence memorandum on Suharto's background on October 2. (Johnson Library, National Security File, Country File, Indonesia, Vol. V, Memos, 10/65–11/65)

day. Ball said he was surprised that there had been nothing from Sukarno. Secretary said he was probably dead or seriously ill.

[Here follows discussion unrelated to Indonesia.]

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**146. Memorandum From the Director of the Far East Region  
(Blouin) to the Assistant Secretary of Defense for  
International Security Affairs (McNaughton)<sup>1</sup>**

I-26491/65

Washington, October 4, 1965.

**SUBJECT**

Situation in Indonesia

The situation in Indonesia is in an uneasy calm, and President Sukarno seems to be making great efforts to bring about national unity in the face of growing antagonism between the Army and the groups that supported the 30 September Movement. The bodies of the senior military officers who were shot early in the 30 September attempted coup have been discovered. There is report of "brutalization" of their bodies, and the Army is capitalizing on these incidents to build up public support for its position. Sukarno, however, has indicated that he is not prepared to move against the PKI, the Air Force, Subandrio, or other elements who may have been in on the 30 September grab for power. One report indicates that Sukarno was in the hands of the Air Force until Sunday and did not know the true situation. Another report states that he now is fully aware of what happened and who were the culprits. The Army has banned the PKI newspaper but has made no move against PKI headquarters. General Suharto, who seems to have firm control of the military situation in and around Djakarta, went on the radio today with a strong speech denouncing the Air Force for its role in the plot and went to great lengths to build up public support for the Army by describing the brutal slaying of its top generals. This is the first indication we have that the Army may be willing to take issue with Sukarno's policy of trying to gloss over the events of the last few days.

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<sup>1</sup> Source: Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 3717, Indonesia, 000.1-291.2. Secret. Drafted by D.E. Nuechterlein (OASD/ISA/FER).

### *Evacuation of Americans*

There has not yet been any departure of U.S. dependents from Djakarta via commercial aircraft, although the Embassy indicated that this might begin today. A high Indonesian official (General Rubiono) told the Embassy it would be unwise to evacuate Americans at this time because it would show a lack of confidence in the Army's ability to control the situation. On the other hand there are reports that Colonel Untung is in central Java organizing several battalions for possible further action against the Army and that PKI leader Aidit is in hiding. At noon, Task Force 77 and 76 were holding in two positions about 320 miles apart, with TF-76 at about 5 degrees north latitude. Late this afternoon TF-76 was ordered to steam north and "hold" at 8 degrees north latitude, near the position now being held by TF-77.<sup>2</sup>

### *Estimate of Situation*

There are several current appraisals of the recent course of events, all of which are supported by the sometimes conflicting information. The two major ones are:

(1) Sukarno knew what was happening all along and was lying low until he could see who was going to come out on top (presumably he hoped the Untung-Subandrio-Dani coup would succeed and the Army high command would no longer be a threat to his pro-Peking policy).

(2) Sukarno was duped into believing that the Untung coup was to save him from a US-sponsored coup by the Army and that he is only now beginning to believe that the Air Force PKI were involved in a plot to get rid of their only major opposition, the Army.

If one assumes estimate (1) above to be true, it follows that Sukarno will do everything possible to prevent the Army from cracking down on the Air Force and PKI and that he will continue his previous policy of close relations with Peking and with the PKI, to our disadvantage. He has already made some attempt at playing up the incident as a mere interservice squabble. If we assume that estimate (2) is correct, then it follows that the Army will be given more authority and that people like Subandrio, Dani and Untung are out. But, Sukarno may fear that if he allows the Army to move too fast against the 30 September Movement, and more particularly against the PKI, civil war will develop and tear the country apart—leaving the outer islands open to foreign penetration and perhaps independent governments. By moving

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<sup>2</sup> The decision to position these naval forces for possible emergency evacuation of U.S. citizens from Indonesia was the subject of multiple telephone conversations among Ball and McNamara, McGeorge Bundy, William Bundy, and Rusk on October 3 and 4. The memoranda of these telephone conversations are at the Johnson Library, Ball Papers, Telephone Conversations, Indonesia, [4/12/64-11/10/65].

slowly and making a great show of national unity, he may be able to prevent disintegration of the Federation and still take care of the elements who sought to topple the government.

I am inclined to think that Sukarno was aware, at least in part, of what was going on from the beginning and that he is now attempting to put the best face on a botched job, hoping to keep his own prestige intact. The big question is whether the Army, having shown its strength and unity in the face of an effort to demolish its influence, will permit Sukarno to exercise the kind of control he had before. In any event, the Sukarno image has been tarnished.

The next two days should tell a lot. If the Army turns the Armed Forces Day celebration (October 5) into a big funeral procession for its fallen leaders, the momentum generated could well put the Army into the commanding position in spite of Sukarno. However, we cannot underestimate the power of Sukarno to manipulate the situation any way he wants, for better or worse. There is probably no other person in Indonesia today who can hold the Federation together, and the Army may well consider this factor more important than taking revenge on the Air Force and PKI.

**F.J. Blouin<sup>3</sup>**

*Rear Admiral, USN  
Director, Far East Region*

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<sup>3</sup> Printed from a copy that bears this typed signature.

# 147. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, October 5, 1965, 1435Z.

868. Ref: Embtel 852.<sup>2</sup>

1. Events of the past few days have put PKI and pro-Communist elements very much on defensive and they may embolden army at long last to act effectively against Communists.

2. At same time we seem to be witnessing what may be the passing of power from Sukarno's hands to a figure or figures whose identity is yet unknown, possibly bringing changes in national policy and posture in its wake.

3. Right now, our key problem is if we can help shape developments to our advantage, bearing in mind that events will largely follow their own course as determined by basic forces far beyond our capability to control.

4. Following guidelines may supply part of the answer to what our posture should be:

A. Avoid overt involvement as power struggle unfolds.

B. Covertly, however, indicate clearly to key people in army such as Nasution and Suharto our desire to be of assistance where we can, while at same time conveying to them our assumption that we should avoid appearance of involvement or interference in any way,.

C. Maintain and if possible extend our contact with military.

D. Avoid moves that might be interpreted as note of nonconfidence in army (such as precipately moving out our dependents or cutting staff).

E. Spread the story of PKI's guilt, treachery and brutality (this priority effort is perhaps most needed immediate assistance we can

<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret; Priority. Repeated to CINCPAC for POLAD, Canberra, Karachi, Kuala Lumpur, London, Manila, New Delhi, Paris, Singapore, Tokyo, and Wellington. Passed to the White House, DOD, CIA, USIA, and USUN. In situation report 9 of the Indonesia Working Group, October 5, this was described as the "first of a series of telegrams recommending courses of action (Djakarta 868, October 5) which generally suggests that the United States avoid overt involvement in the power struggle but should indicate, clearly but covertly, to key Army officers our desire to assist where we can." (Johnson Library, National Security File, Country File, Indonesia, Vol. V, Cables, 10/65-11/65, [3 of 3])

<sup>2</sup> In telegram 852, October 5, 0405Z, the Embassy reported on the implications of the unsuccessful September 30 coup, suggesting that Army had an opportunity to move against the PKI. The Embassy stated, "it's now or never" and estimated that the "agony of ridding Indonesia of the effects of Sukarno and NASAKOM has begun," but it would be wrong "to assume process will be over easily or quickly." (Ibid.)



give army if we can find way to do it without identifying it as solely or largely US effort).

F. Support through information output and such other means as becomes available to us unity of Indonesian armed forces.

G. Bear in mind that Moscow and Peking are in basic conflict regarding Indonesia, and that Soviet Union might find itself even more in line with our thinking than at present. This will be subject of our next Country Team meeting and we may have specific recommendations for exploiting this phenomenon.

H. Continue to consult closely with friendly embassies (who take up much of our time and occasionally our facilities) extending our line of credit and enhancing our image generally through them as a constructive influence here.

I. Continue for time being to maintain low profile and be restrained about any apparent opportunities to rush in with new, overt programs (although need for stepped-up information effort will be great).

5. We will submit further recommendations as these seem to be appropriate to what will undoubtedly be fast-moving or at least uncertain situation for some time to come.

**Green**

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**148. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, October 6, 1965, 7:39 p.m.

400. Ref Embtel 868.<sup>2</sup>

1. Subject to comments on emphasis and discretion below, we are in basic agreement with policy guidelines set forth para 4 reftel.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–9 INDON. Secret; Immediate. Drafted by Underhill and Cuthell; cleared by James B. Freeman, Special Assistant in P, Richard L. Sneider, Public Affairs Adviser in FE, and in substance by Daniel E. Moore, Deputy Director, Office of Assistant Director (Far East), USIA; and approved by Ball and William Bundy. Repeated to Canberra, Karachi, Kuala Lumpur, London, Manila, New Delhi, Paris for TOPOL, Tokyo, Wellington, Singapore, and CINCPAC for POLAD.

<sup>2</sup> Document 147.

2. Reports of October 6 Cabinet meeting just received via FBIS make it clear Sukarno is attempting to reestablish status quo ante by raising bogey of imperialist exploitation Indonesian differences and submerging Army's vengeful hostility towards PKI in a closing of ranks to preserve national unity.<sup>3</sup>

3. As you have brought out, major question is whether Army can maintain momentum its offensive against PKI in face Sukarno's practiced political manipulations.

4. Sukarno, Subandrio and PKI sympathizers in Cabinet will be alert to any evidence substantiating their charges that NEKOLIM will attempt to exploit situation. We believe it essential that we not give Sukarno and company opportunity claim that they about to be attacked by NEKOLIM and that we not give Subandrio and the PKI citable public evidence that USG supports Army against them.

5. Army clearly needs no material assistance from us at this point. Over past years inter-service relationships developed through training program, civic action program and MILTAG, as well as regular assurances to Nasution, should have established clearly in minds Army leaders that U.S. stands behind them if they should need help. Reur paras 4 b and c believe we should therefore exercise extreme caution in contacts with the Army lest our well-meaning efforts to offer assistance or steel their resolve may in fact play into hands of Sukarno and Subandrio. In particular, given Nasution's apparent present emotional state and precariousness his position do not believe it wise for you to attempt direct contact with him unless he seeks it, but know you have reliable indirect access to him through politically conscious senior officers who routinely in contact with Mission.

6. We plan and are already carrying out VOA and information program based on citation Indonesian sources and official statements without at this stage injecting U.S. editorializing. At least in present situation we believe ample such material pointing finger at PKI and playing up brutality of September 30 rebels is available from Radio Djakarta and Indo press, but we will look at situation again if in coming days or weeks these sources dry up. Similar coverage will be given by VOA to Indo situation in key broadcasts other than to Indonesia.

7. Reur para 4 d, agree that precipitate evacuation undesirable, but it is essential that you start moving out dependents and non-

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<sup>3</sup> At 9:19 a.m. on October 5, Rusk and Ball talked on the telephone. Rusk asked about Indonesia. Ball answered that "the army is not moving and this is a matter of concern because Sukarno got away with his press conference and cabinet meeting. It looks as though they are losing a lot of critical time there because PKI disavowed September 30 movement and are moving toward position of respectability." (Johnson Library, Ball Papers, Telephone Conversations, Indonesia, [4/12/64-11/10/64])

essential staff as commercial space becomes available on any carrier to any point. Septel this subject follows.

8. Will look forward to further Embassy recommendations as to how we should proceed.

**Ball**

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#### 149. Intelligence Memorandum<sup>1</sup>

OCI No. 2330/65

Washington, October 6, 1965.

### THE UPHEAVAL IN INDONESIA

#### Summary

The Indonesian army, having countered what appears to have been a leftist coup on 1 October, is for the time being firmly in control of Indonesia. It would like to use the opportunity to take strong steps against the Indonesian Communist Party (PKI) and elements allied with it. It would be reluctant to take decisive action, however, without the approval of President Sukarno. Sukarno, in the interest of national unity and probably fearing the ascendancy of the army, has asserted that the present situation is a political problem that requires a political settlement and that he wishes to settle it himself. He apparently hopes to conciliate the leftists and return the Communist Party to the favorable political position it enjoyed prior to the events of 1 October.

1. Early on 1 October a group which called itself the "30 September Movement" kidnapped six army generals, including Army Commander Yani, and later murdered them. The movement was led by Lt. Col. Untung, a battalion commander in President Sukarno's bodyguard, the Tjakrabirawa regiment. In addition to Untung's own battalion (which was one of three in the regiment), the movement also appears to have included some elements of the air force and initially was openly supported by the Air Force Chief of Staff Marshal Dani. Also reportedly

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. V, Memos, 10/65-11/65. Secret. Prepared by the Office of Current Intelligence, Central Intelligence Agency.

involved were Communist-influenced army elements from Central Java and members of Pemuda Rakjat—the Communist youth organization, the party's special security force, and GERWANI—the Communist women's front group.

2. A message read over the Djakarta radio on the morning of 1 October claimed that Untung's action was "supported by troops of other branches of the armed forces" and that the "30 September Movement" had acted to forestall an American-inspired "generals' coup." The message stated that President Sukarno and other targets of the "generals' coup" were under the protection of the movement. Shortly thereafter the 45 members of a leftist "Revolutionary Council" were announced. About half of the council's membership was composed of government officials, a few of whom were high-level and none of whom at that time was maintaining an anti- or even strong non-Communist position. The council contained three members of the Indonesian Communist Party Central Committee. The rest were well-known fellow travellers or crypto-Communists.

3. By the early evening of 1 October Army General Suharto, commander of the Army Strategic Reserve (KOSTRAD), informed all military areas that in the absence of Army Commander General Yani, who had been kidnapped, he was assuming command of the army. He was doing so with the understanding and cooperation of the navy in order to destroy the "30 September Movement." Two hours later Radio Indonesia announced that the army controlled the situation, that the police had also joined the army and navy to crush the "counterrevolutionary movement," and that President Sukarno and Defense Minister General Nasution—the latter had been a target of Untung's group—were safe.

4. During the night of 1 October, Lt. Col. Untung apparently fled to Central Java where he apparently hoped to establish a position with pro-Communist elements in that province. Repeated broadcasts of President Sukarno's appeal for restoration of order and the strong pro-Sukarno, pro-army stance of both General Sabur—Untung's superior officer in the Tjakrabirawa regiment—and of General Surjosumpeno—army commander in Central Java—appear to have cut away much of Untung's following. Reports are confused, however, as to his present support. They range from a mere 110 troops to several battalions. There are no present plans to send additional troops into Central Java to deal with him; loyal troops already stationed in that province are deemed sufficient to cope with the situation.

5. On 4 October Air Force Chief of Staff Marshal Dani, who had already been absolved of complicity in the "30 September Movement" by Sukarno, by implication denied any connection with the movement. In a special broadcast he thanked Sukarno "for trust in the air force" and

said appropriate action would be taken against any air force personnel involved in the movement.

6. Meanwhile President Sukarno had been maneuvering to reaffirm his own control of the situation. On 2 October he summoned all military commanders and Second Deputy Prime Minister Leimena to a meeting "to settle the 30 September incident immediately." (First Deputy Prime Minister Subandrio was in North Sumatra but has since returned and is with Sukarno in Bogor; Third Deputy Prime Minister Chaerul Saleh is en route home from Communist China.) Sukarno subsequently broadcast to the nation that he had assumed personal command of the army, that he had appointed General Pranoto, an army headquarters staff officer, administrative head of the army and had deputized General Suharto "to implement the restoration of security." A statement by Suharto which followed that of Sukarno affirmed the changes made by the president. A 3 October broadcast by the Supreme Operations Command (KOTI) described Pranoto only as "assisting the president."

7. Suharto, long regarded as apolitical and possibly an opportunist, emerges in the present situation as a strong military leader and apparently a firm anti-Communist. Pranoto, on the other hand, does not belong to the group of officers who looked to Yani and Nasution for leadership and obviously is viewed with some disfavor by Suharto and his colleagues. Sukarno is said to have elevated Pranoto during the present crisis as a means of conciliating and protecting the left, and it would seem that he also did it as a means of imposing disunity upon the army. Appraisals of Pranoto range from passive and soft on the Communists to actively pro-Communist. He has served in Central Java, a Communist stronghold, as a battalion commander and later as the territorial commander; he is reputed during those years to have done nothing to obstruct Communist growth there. Available information, most of it from pro-Suharto sources, has not mentioned any action taken by Pranoto in his present capacity.

8. The US Embassy in Djakarta has a confirmed report that Sukarno's palace guards and air force troops are protecting Sukarno and Dani in Bogor. Reportedly, Suharto's troops have their guns trained toward the palace. The US Embassy now believes that Suharto's forces are allowed access to Sukarno for bargaining and tape recording Sukarno's statements but they do not control him.

9. Sukarno has rejected army suggestions for firm measures against leaders of the "30 September Movement" and the Communist Party. On 4 October he told the army generals that the situation basically involves political issues, that tranquillity and order are needed for a solution, and that the generals should "leave the political settlement to me." Army officers, initially jubilant at the prospect of cracking

down on the Communists, were reported depressed after their meetings with Sukarno.

10. Apparently a few hours prior to this 4 October meeting between Sukarno and the generals and apparently also under the emotion of having just viewed the exhuming of the murdered generals, Suharto made an unusual public statement which strongly implied both doubt and criticism of the president and accused the air force and the Communists of complicity in the "30 September Movement." He stated that the bodies had been found in a well within the jurisdiction of the Halim Air Force Base near Djakarta. He said that an area near the well had been used as an air force training center for volunteers from Pemuda Rakjat (the Communist youth organization) and GERWANI (the Communist women's organization). He went on that "based on these facts, it is possible that there is truth in the statement of our beloved father, President, Supreme Commander, Great Leader of the Revolution, that the air force is not involved in the affair. But it is impossible that there is no connection with this affair among elements of the air force." Suharto said he conveyed the sentiments of "patriots who are members of the army" that "air force patriots will purge such members (of the air force) who are involved in this adventure."

11. A few hours later, General Sabur in his capacity as Secretary General of the Supreme Operations Command (KOTI) broadcast an account of Sukarno's 4 October admonitions to the generals, combat commanders, and all commanders of the armed services. According to Sabur, Sukarno had ordered those present, and inferentially all Indonesians, not to permit themselves to be "set off against each other" since this would "harm our struggle and weaken our potential." Sabur said settlement of the 30 September incident would be handled personally and soon by the president. He quoted Sukarno as warning military leaders "not to fall into the trap of (garble—probably imperialist or neocolonialist) tactics in view of their latest activities for weakening us from inside as a prelude for their attacks against us." He specifically ordered combat commanders to "realize the danger of intrigue of our adversaries," to "remain vigilant and continuously enhance unity." Sukarno did manage to say that those who fell victim to the "30 September Movement" were heroes of the revolution, and he invited prayer for their souls.

12. The Indonesian Communist Party (PKI), after indicating its support of the "30 September Movement" through its official newspaper *Harian Rakjat*, has now largely lapsed into silence. Communist Party leaders apparently are in seclusion or actual hiding. According to a clandestine source, party policy is to disavow the "30 September Movement." Party members caught with arms or found in other ways to be supporting the rebellion will be regarded by the PKI as misguided adventurers.

13. The leftist press in Medan, North Sumatra, has continued to publish, and probably is setting the line the party plans to take when its leaders emerge again. The pro-party press in Medan expresses a hope for increased solidarity between the army and the people “particularly in settling the 30 September affair strictly along lines set out by President Sukarno.”

14. Many questions remain unanswered about the “30 September Movement.” Most revolve around Sukarno. Did Sukarno have prior knowledge of the “30 September Movement” and its intentions? Was he taken into protective custody by members of the movement or did he, as he publicly announced, visit Halim Air Force Base—the headquarters of Air Force Chief of Staff Dani and probably the headquarters of the 30 September group—of his own will on 1 October because he thought it wise to be near an airplane? Or was his presence there an indication that he, like the air force and the Communist Party, openly and briefly endorsed the movement? Or was this part of the escape route, reportedly engineered by General Sabur, to get Sukarno out of Djakarta to Bogor? Did Sukarno’s appearance of illness during an address on the evening of 30 September motivate the events of 1 October—events which seem to have been previously but perhaps incompletely planned?

15. Other questions pertain to Lt. Col. Untung and Communist Party leaders. Most reports claim or assume that Untung was merely a dupe; according to one source, he is a strict Moslem who was outraged by the high living and corrupt practices of high-ranking army officers. If he was only a tool and a front man—and this seems plausible—who did the actual planning? Or did several plans by various elements become entangled, with one being used to justify another?

16. It has been reliably reported that the Communist Party in August had reviewed contingency plans which would be put into effect if Sukarno died within the next few days or weeks. These apparently involved the seclusion of top Communist leaders and moves to protect Communist assets by members of the Communist youth front and the party’s special security force. There is at least one report that Sukarno had agreed to the arrest—by whom was not reported—of the anti-Communist generals but that he did not know of plans to kill them and, had he known, would not have approved them. A high-ranking army source (one of Sukarno’s physicians and a key figure in army communications), who has occasionally been candid about internal matters, stated on 3 October that among Untung’s sponsors were armed Communist cadres who had been armed and uniformed. He said Untung’s troops had been among those who had gone to the generals’ houses but that it was not clear who had done the firing—implying that uniformed Communists had also been part of the group.

17. A plausible view of the immediate background of the "30 September Movement" is that Sukarno, Subandrio, and perhaps Communist leaders close to them had considered the arrest of certain army generals. Sukarno and Subandrio have repeatedly and publicly warned the armed forces in recent months that individual leaders must cooperate with the "revolution" or be "left behind." More recently they have even implied some sort of action against them. With the knowledge of this possibility, militant Communist cadres both inside and outside of the air force (and it seems well-established that such were involved) may have used it to justify action against the generals to Untung, and may have played also upon his resentment of high living among the brass. Young militants are known to be chafing against the peaceful united front tactics espoused by top Communist leaders and the latter's strong support of Sukarno. The timing of their action could have been influenced by reports on Sukarno's illness on the night of 30 September and by partial or garbled knowledge of Communist contingency plans in the event of Sukarno's death. The militants—probably impetuous, zealous, and none too clear in their thinking—would have assumed that the swiftness and decisiveness of their actions—the death of the generals and the formation of a new government—would force Sukarno and thereby the rest of Indonesia to fall in behind them.

18. Despite *Harian Rakjat's* brief espousal of the movement it does not seem likely that party chairman Aidit would have approved the murder of the generals or even the change of government. The Indonesian situation, both foreign and domestic, was highly favorable to the Communists and—barring Sukarno's immediate death—showed every sign of becoming progressively more so. Possibly a few militant members of the Central Committee approved the plan; future internal party developments may so indicate. The motivation of Air Force Chief of Staff Marshal Dani remains an open question. He has assumed an increasingly leftist position during the past year.

19. With the army's counteraction and Sukarno's subsequent moves, many of the questions pertaining to the promotion of the "30 September Movement" become almost academic. The principal point now is whether the army will go along with Sukarno in papering over the situation and returning to the political status quo prior to the events of 1 October.

20. The previous record of the army seems to indicate, that despite frustration and rage over the murders of six highly regarded generals, most officers will continue to support Sukarno. Although there is considerable individual and collective doubt among the officer corps as to the wisdom of Sukarno's policies, there is also enormous reluctance to oppose him. Sukarno has so presented his position that any specific action against the Communists would be considered an anti-Sukarno



act. It now appears that only if Untung can develop a following in Central Java and renew armed action—and at the moment this does not appear to be a strong possibility—would Sukarno tolerate a significant move against him and his allies.

21. In the aftermath of the “30 September Movement,” however, the army temporarily will retain a political ascendancy. This is based in the martial law still obtaining in Djakarta, in the army’s physical control of most of the country, and in the present policy of seclusion being followed by Communist leaders.

22. Should Sukarno move too rapidly in favor of the left during this period, he could cause a sharpening of feeling between himself and most army leaders. This could promote a stronger public and political anti-Communist stand by the army than it has maintained in the past year and weaken the political position of the party. Such a development, however, is highly speculative.

23. Sukarno’s health continues to be a major factor in determining the course of events. The army is far more likely to act decisively if the president dies or is disabled than if he remains reasonably vigorous. Sukarno’s continued seclusion is not necessarily an indication that his health has further deteriorated; he will probably defer a public appearance until he feels that it is to his political advantage. Meanwhile he apparently is holding frequent meetings with various military and civilian officials.

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**150. Memorandum of Telephone Conversation Between the  
Under Secretary of State (Ball) and Deputy Director of  
Central Intelligence (Helms)<sup>1</sup>**

Washington, October 7, 1965, 12:05 p.m.

Helms asked Ball if he were deadset to get the dependents out of Indonesia. Ball replied that he could foresee a real civil war in Indonesia, however, this request had come in from Green himself. Ball said we were trying to get them out as inconspicuously as possible on commer-

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<sup>1</sup>Source: Johnson Library, Ball Papers, Telephone Conversations, Indonesia, [4/12/64–11/10/65]. No classification marking.

cial airlines.<sup>2</sup> Ball informed Helms there were several companies in Indonesia. Ball asked Helms if he had doubts.

Helms said in light of the sentiments he guessed this was the right thing to do. The President would be disturbed if there were street fighting.

Ball said he thought the communists would go underground and the country could go up in flames. Ball said he would feel better if the women and children were not there. In three weeks all dependents would have departed. Helms asked if we were keeping them in the area. Ball said we had told them to come on home but we don't really care where they take them.

Helms told Ball he was with him on this.<sup>3</sup>

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<sup>2</sup> In telegram 401 to Djakarta, October 6, the Department instructed the Embassy to begin moving of U.S. families out of Indonesia by international air carriers. In order to make the operation unobtrusive, the Embassy could explain at least at the beginning of the process that these were routine transfers for home leave, medical reasons, and so on. (National Archives and Records Administration, RG 59, Central Files 1964-1966, POL 23-INDON)

<sup>3</sup> At 5:30 p.m. on October 7, Ball talked on the telephone with McNamara about the possibility of sending the evacuation task force back to home ports. Ball worried that there could be a civil war in 2 or 3 days, but he agreed with McNamara that the evacuation force could return slowly. (Johnson Library, Ball Papers, Telephone Conversations, Indonesia, [4/12/64-11/10/65])

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## 151. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, October 10, 1965.

Unnumbered. For Assistant Secretary Bundy from Ambassador Green.

1. Following is Ambassador Green's comments on Secretary Bundy's message re pattern of UK actions on Kalimantan and how we should handle with Indonesians.<sup>2</sup>

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-UK. Secret: Eyes Only. There is no time of transmission on this telegram, which was received in the Department of State at 2:46 p.m., October 10.

<sup>2</sup> Not further identified.

2. I generally agree with your suggested approach. At same time I question contention in Deptel 413<sup>3</sup> that “we should credit Indo military with sufficient sophistication to realize that British would not stab Indo army in back while it was dealing with PKI.” Latter contention overlooks suspiciousness of hard-pressed army and its poor communications. We just cannot leave to chance that Indos will understand British restraint.

3. In latter connection, Colonel Ethel was told today by his Indo army contact (who is close to Suharto and Nasution) that Indo army hopes British will not escalate Malaysia confrontation at this time because it would weaken army position. Source believes US only nation which could bring pressure to bear on British on this matter. Later on in conversation, source stated that Indo army leadership feels it has situation well in hand and will win this time, provided British do not interfere by escalation.

4. I therefore recommend that Ethel reply to his contact just about along lines Secretary Bundy suggests. This would of course require that British desisted from any kind of aggressive patrolling but it should not involve any weakening of UK defensive position.<sup>4</sup>

5. Colonel Ethel hopes see contact tomorrow.<sup>5</sup>

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<sup>3</sup> In telegram 413 to Djakarta, October 7, the Department told Green it “had serious reservations on wisdom proposal that British convey to Indonesia military willingness to refrain from attacks as long as Indo Army continues to press PKI.” No matter how discreetly passed, it would saddle the recipient Indonesian with the danger of “exposure as traitor to nation.” The Department then suggested that the Indonesian military was sophisticated enough to realize that the British “would not stab Army in back while dealing with PKI” without being specifically informed. (National Archives and Records Administration, RG 59, Central Files 1964–1966, POL INDON–UK)

<sup>4</sup> In telegram 437 to Djakarta, October 10, the Department agreed with Green’s recommendation, but asked that the Embassy withhold action until the matter was cleared with the British. (Ibid.) In telegram 1918 to London, repeated to Djakarta as telegram 446, the Department reported that Berger had suggested to a British Embassy official that the United States pass the following message to the Indonesians: “First, we wish to assure you that we have no intention of interfering Indonesian internal affairs directly or indirectly. Second we have good reason to believe that none of our allies intend any offensive action against Indonesia.” (Ibid., POL 23–9 INDON) The British agreed, but asked that the phrase, “to initiate,” be included between “allies intend” and “any offensive action.” (Telegram 447 to Djakarta, October 1; *ibid.*)

<sup>5</sup> Printed from a copy that bears no signature.

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**152. Memorandum of Telephone Conversation Between the  
Under Secretary of State (Ball) and Secretary of State Rusk<sup>1</sup>**

Washington, October 12, 1965, 5:40 p.m.

Ball told the Secretary that he went over with Berger and Cuthell as to what we propose to say to the army in Indonesia. One telegram which we are sending to London for approval is telegram of assurance that we do not propose to interfere in their internal affairs.<sup>2</sup> The harder question is their request for our assessment of the situation. Ball continued that he is going into detail with Cuthell and he (Cuthell) has great fears and doubts of our expressing encouragement, etc. This is a complex power fight that is going on and we do not know who is on top and we do not know, for instance, whether the army might resolve this by declaring a war on imperialists and we would be left on the limb by the army moving in and exploiting anti-American feelings. The Secretary thought this a very far-fetched likelihood. Ball said this is not an ideological fight but a power fight. Ball thinks that any indication that we are giving army help in its dealing with PKI could be misused.<sup>3</sup>

The Secretary stated that the telegram to London should go but that he wished to discuss the other<sup>4</sup> further tomorrow.

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<sup>1</sup> Source: Johnson Library, Ball Papers, Telephone Conversations, Indonesia, [4/12/64-11/10/65]. No classification marking.

<sup>2</sup> See footnote 4, Document 151.

<sup>3</sup> At 10:30 a.m., October 12, Ball and Fulbright discussed Indonesia on the telephone. Fulbright asked is the "Sukarno situation as good as it appears to be represented in the papers?" Ball answered that for the first time the army was "disobeying Sukarno." The generals were asking if they might be the next victims. Although they were afraid to move directly against Sukarno and the PKI, they were encouraging the Muslims and other groups to do so. Ball guessed that Sukarno would never regain the power he had and the PKI would have to go underground, but he did not want to underestimate Sukarno. Any U.S. interference could be a serious mistake. (Johnson Library, Ball Papers, Telephone Conversations, Indonesia, [4/12/64-11/10/65])

<sup>4</sup> Apparent reference to Document 153.

**153. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, October 13, 1965, 7:03 p.m.

452. Ref: Djakarta's 962.<sup>2</sup>

1. We think time is approaching when it may be desirable to give some indication to the military of our attitudes toward recent and current developments. While we might do this by taking advantage of request for our assessment put to us by Nasution's aide (reftel paras 1 and 2), we are reserved for three reasons:

a. We are not at all clear as to who is calling the shots within the military. As examples: although it appears to be Nasution, Suharto seems to be taking a stronger line vis-à-vis Sukarno. We do not know who else is playing what role, or what degree of unity exists among the military leaders, or what their strength is.

b. We have no real knowledge of the military plans and intentions or what debates are going on in the inner circle, without which it is impossible to make an assessment.

c. We are not even certain that Nasution's aide is really speaking for him, or has taken initiative on his own.

2. Under these circumstances we think it would be best to move cautiously.

3. Dilemma is that (a) we do not wish to give army impression that we are trying to inject ourselves into Indo internal situation, or that we wish to channel army's actions for our—as opposed to Indo's—benefit, or that we encouraging action against Sukarno or, in fact, anyone except PKI. On other hand, (b) if army's willingness to follow through against PKI is in any way contingent on or subject to influence by US, we do not wish miss opportunity consider US action. As noted 1 c above, we not sure whether Indos making typically over-subtle approach via Nasution's aide.

4. With respect to aide's question re our assessment of situation, suggest you respond on following lines: We are, as always, sympathetic to army's desire eliminate communist influence, but difficult for us to assess current situation since we do not have clear picture of military aims and plans. Realize situation fast moving, but would be helpful if we could be given indication to army's assessment and intentions.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–9 INDON. Secret; Exdis. Drafted by Cuthell and Berger, cleared by William Bundy, and approved by Rusk.

<sup>2</sup> Dated October 12. (Department of State, INR/IL Historical Files, Roger Channel, Djakarta)

5. Purpose of throwing ball back to Nasution is to see how forthcoming he is prepared to be with us.
6. Request your comments.<sup>3</sup>

**Rusk**

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<sup>3</sup> In telegram 1002 from Djakarta, October 14, Green commented that it was "reasonably clear Nasution calling the shots" and was working through Suharto. The Embassy agreed that it did not have detailed knowledge of the military's plans and intentions, but wondered if they existed beyond a desire to keep the pressure on the PKI and to force Sukarno to face the fact of its treachery. The Embassy was "quite sure Nasution's aide speaks for him." The Embassy agreed that the United States needed to move cautiously and give the impression that it was not interjecting itself into Indonesia internal affairs. The Embassy did not want to discourage the Army from discreetly approaching the United States and preferred a slightly more "understanding posture." (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON)

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#### **154. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, October 14, 1965, 1020Z.

1006. 1. Colonel Ethel conveyed to Nasution's aide today our oral message (Deptel 447 and previous)<sup>2</sup> re confrontation; aide took it down on a piece of paper and said he would give it to Nasution within the hour.<sup>3</sup> He commented to effect that this was just what was needed by way of assurances that we (the army) weren't going to be hit from all angles as we moved to straighten things out here.

2. Aide said that army is now rounding up suspect Chinese businessmen and seeking to find out through Chinese just what role Chi-Com Embassy here played in aborted coup. Aide cautioned however that, even if army got the goods on Peking, Djakarta would have to be very careful about its relations with China. Army could not go after

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret; Exdis. Repeated to CINCPAC for POLAD and passed to the White House.

<sup>2</sup> See footnote 4, Document 151.

<sup>3</sup> In telegram 2005 to London, October 15, the Department reported that Nasution received the message and was very satisfied with it, hoping that the "British will lay off." (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON)

the ChiComs frontally, he said, but made a gesture with both his hands as if to suggest a subtle envelopment technique.

3. Aide said that army rounding up Communist cadres but having a hard time finding guns which had been disseminated. Asked if rumor were true that Lukman or others were starting a new Communist Party to replace the discredited PKI, aide said he did not know but he was looking into that kind of question.

4. Aide said that Antara would be allowed to continue its anti-NEKOLIM line but it would be played in lower key.

5. Aide heard about my talk with Suwito re Lovestrand. He thought that approach should work (Embtel 991).<sup>4</sup>

**Green**

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<sup>4</sup> Dated October 13. (Ibid., PS 7-1 US-INDON/LOVESTRAND) Harold L.B. Lovestrand was a missionary of the Evangelical Alliance Church. He, his wife, and four children were taken into custody by Indonesian authorities at Manokawari in August 1964. All but Harold Lovestrand were released in March 1965. After considerable U.S. representations, Harold Lovestrand was released on March 23, 1966. (Telegram 2710 from Djakarta, March 23, 1966; *ibid.*)

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**155. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, October 14, 1965.

Unnumbered. Please pass Secretary Bundy from Ambassador Green:

1. Reference Deptel 458.<sup>2</sup> In addition reply regular channels. We were approached yesterday through Col. Ethel by Nasution's liaison officer for help with portable voice communications gear for use by guards protecting Nasution and other top army people and their fami-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, DEF 21 INDON. Secret. There is no time of transmission on this telegram, which was received at the Department of State at 9:33 a.m. on October 14.

<sup>2</sup> In telegram 458 from Djakarta, October 13, the Department informed the Embassy of an Associated Press story based on an "informed source" that Suharto had sent a colonel to the United States to procure communications equipment to contain the Communist threat of civil war in Indonesia. The Department asked for the Embassy's comment. (*Ibid.*)

lies. Unclear whether AP story based approach here or in US. We have carefully limited knowledge of liaison officer's request to several key officers. In this Embassy, none of whom have talked to AP or anyone else about this.

2. [less than 1 line of source text not declassified] has, with my approval, offered to provide three Motorola P-31 handy-talkies 49.9545 with batteries and battery chargers. Army Attaché will covertly turn over the above to the Indonesian army on October 14.

3. We are taking cautious approach to providing further assistance of this kind [less than 1 line of source text not declassified] although it is in our interest to preserve present army leadership from danger assassination which we assess very real. Also believe small quiet gesture such as this (or help to Nasution's child) could be important in terms of helping a friend in need and will be remembered accordingly.

4. Conceivably army has intention to seek again from US sources equipment for communications with outer islands. As you know, this is old story which could be basis AP report.

5. I would appreciate your comments.<sup>3</sup>

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<sup>3</sup> In telegram 470 to Djakarta, October 14, Bundy told Green that he completely concurred in the action that Green took on portable voice communications. The Department had no indication that the Army would renew its request for a major communications project with the outer islands. Such would be a long-range project and the Army probably had sufficient control of civilian communications network for the time being. If the Army renewed its request, the Department suggested it should be given serious consideration. (Ibid.) Printed from an unsigned copy.

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## 156. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, October 17, 1965, 0030Z.

1047. 1. Indonesia's political crisis seems to be moving toward a "political settlement" which we believe will do little more than paper over the deep cracks which have appeared in the nation's leadership. Many basic issues will remain unresolved. Prolonged maneuvering

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret. Repeated to Bangkok, Canberra, CINCPAC for POLAD, Karachi, Kuala Lumpur, Manila, New Delhi, London, Singapore, Tokyo, and Wellington.



among the various elements is likely and, whatever the outcome, the Sukarno image and leadership will never be quite the same.

2. The following basic factors underlie Indonesia's present political maneuvering:

A. There are now two power centers in Indonesia, not one. These are Sukarno and the army. Each needs the other and at the same time each is trying to undermine the other. But in true Indonesian fashion they are trying to reach an agreed settlement which will give the outward impression that all is well and that national unity has been preserved.

B. Sukarno's image has been damaged but there is little likelihood of any serious move to dump him. Many Indonesians privately believe he was aware of, or even back of, the Sept 30 affair. Nonetheless, they do not want to make this fact public or to face openly its logical consequences. They will probably whitewash Sukarno, for to them, and despite his faults, he is Indonesia and national unity depends on allegiance to his father figure, but the army, for its part, finds its public support of Sukarno a useful symbol that it is the protector of national unity.

C. The present political jockeying takes place in an atmosphere of considerable national tension. The attacks on PKI installations which started in Djakarta have spread to other regions of Indonesia. In some areas it could strike a spark leading to the outbreak of real conflict. The army regards central Java as politically sensitive, even though the security situation has been brought into line. Communists and non-Communists have been at each other's throats in east Java and in north Sumatra for months and some observers fear civil war in those areas. This situation cuts both ways for the army. It strengthens the hand of the military in bargaining with Sukarno who fears national disunity. But the army also fears civil war, particularly in any situation which would pit them publicly against Sukarno, who might rally forces against the army that would make their position untenable, and thus move the army toward compromise.

D. The basic framework of Indonesia's domestic ideology will be retained but there will probably be changes of emphasis, for the present at least, and possibly and hopefully of longer duration. Elements such as NASAKOM will not be completely dominant theme they had become in recent months although lip service will probably continue to be paid to these concepts. In this connection, song "NASAKOM Unity" is now heard again on radio after two week absence. Suharto also expressed support for NASAKOM at his installation ceremony. (NASAKOM is, of course, the Indonesian acronym and cover for Sukarno's drive to establish a Communist-oriented Indonesian political unity. That Moslem elements maintain a healthy resistance to this forced adjustment

of their religious convictions to Communist ideology has become apparent in a way that is both surprising and heartening during these last few days.)

E. No dramatic changes in Indonesia's foreign policy are likely. The army and large sections of the Indonesian public suspects Communist China's hand behind recent events. Sukarno does not, or at least he will not admit this possibility. However, as one general said, "We already have enough enemies. We can't take on Communist China as well." The Sept 30 affair will almost certainly cause strains between Djakarta and Peiping, but close cooperation will probably continue because both parties find it useful. But there latent explosiveness against the Chinese in the minds of many, particularly strong Moslem elements, among the Indonesians.

F. Indonesia's basic "anti-NEKOLIM" policy will probably also be retained although the army may well seek to twist definition of the term when this suits the army's purposes.

3. Appears likely that partial deal between army and Sukarno may already have been reached while other matters are still under negotiation. (It is even more commonplace here than elsewhere to come up with vague phraseology to reach agreement on obstinate points leaving future in-fighting to determine final outcome.)

A. One side of deal may be that army will hush up any indications of Sukarno's involvement in Sept 30 affair. We have in fact already noted that army sources are now playing this down following earlier open talk that President was involved. Army has probably also agreed to continuation of certain essential aspects of Sukarno's foreign policy and this will produce competition and perhaps confusion in weeks ahead.

B. There are several different versions of army's five point demands on Sukarno but these appear generally to involve following: (I) Appointment of Suharto head army, (II) all persons involved in Sept 30 movement to be punished in accordance with Indo law, (III) Indo air force to be retooled, (IV) all mass organizations and political parties which supported Sept 30 movement to be banned, and (V) replacement of PKI, Subandrio's intelligence organization.

C. Appointment of Suharto is only point in above list which Sukarno has completely carried out. He has agreed to send Dani abroad but has not yet selected a regular replacement for him as head of air force. Army, of course, is going ahead on its own to punish many of those involved in Sept 30 movement.

4. While firm evidence lacking we believe there are two major ways in which internal political crisis might be resolved. First in formation of new "pure" and "indigenous" Communist Party to replace bad old PKI. Sukarno would probably like new party to be headed by

Njoto but this would be subject to negotiation. This seems more likely outcome, but possibility of single national party should not be ruled out. Both Sukarno and Nasution have in past advocated one-party system of substitution of "National Front" for all parties although they would have different views on nature of single party. Army leadership wants complete ban of PKI but, if Sukarno insists, would reportedly propose single party which, in contrast to Sukarno, they would want to be "right-wing" with heavy representation of "functional groups."

5. Activities of Indo press and other information media here are almost certain to be continued bone of contention between Sukarno and his backers and army leadership and other anti-Communists. Sukarno will want to push his anti-NEKOLIM program in which he identifies Indonesia with other Communist countries. He will want to play down anti-PKI complexion which has been introduced under recent army direction of Indo information media. Army still seems dissatisfied with activities of Indonesia's sole news agency, Antara, and continues to interrogate and harass its staff which, of course, was heavily Communist infected.

6. The activities of the National Front, especially those relating to demonstrations (that peculiarly Indonesian method of political expression), will probably, like the press, be subject to tugging and pulling between Sukarno and his leftist advisers and the army.

7. Sukarno and army may already have reached ostensible, *modus vivendi*, on basic political issues. If not, odds are that they will in near future. However, working out details will be serious problem, as will probable differences of interpretation between Sukarno and army on points already accepted. While recent crisis is likely to be papered over, basic problems have been brought to surface and will not easily or successfully or for very long be sublimated. Role of Subandrio, and others in cabinet spiritually akin to if not active in September 30 movement, many of whom now appear likely to survive present crisis, will be source continued friction between Sukarno and army. But issues, such as those mentioned above, and many others including personal feelings of revenge, are likely continue plague GOI and reduce effectiveness and cohesion of government for foreseeable future.

**Green**

# 157. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, October 18, 1965, 0845Z.

1055. For Assistant Secretary Bundy from Ambassador. Re Embtel 1017.<sup>2</sup>

1. Colonel Ethel has had two more meetings with Nasution's aide who made a number of interesting points as follows:

2. Police say they have caught Aidit in central Java, but this fact is not being released now. For publication, he remains still at large. One reason given for this is to obstruct PKI from naming new head of party.

3. Sukarno trusts Nasution about 80 percent of the time and discussions continue between them. Nasution has been pressing for acceptance of five following points, first two of which already granted: (a) appointment of Suharto as Chief of Staff, (b) ouster of Dani (there is a report that Dani left for K.L. yesterday. We are checking), (c) PKI totally banned, (d) re-tooling of cabinet, (e) disbanding of BPI, which is Subandrio's intelligence organization.

4. In latter connection army is out to get Subandrio and is worried lest Subandrio succeed in his current efforts to poison Sukarno's mind that there was in fact a plot master-minded by the NEKOLIMs, to be executed by the army, navy and police, against the air force. Sukarno has told Nasution that he wants all the facts of this 30 September incident in order to reach his final political solution on current crisis. The army is working hard, along with police, to get the facts and they already have a good deal of incriminating evidence against Subandrio and others.

5. There is a major split between Subandrio and Suwito (Subandrio's Chief Deputy in the Foreign Office). Suwito has the support of almost all the foreign office.

6. If Subandrio has anything to say about it, it is questionable how long Suharto can remain as Army Chief of Staff. There is strong mutual dislike between them. Furthermore, Sukarno did not wish to appoint Suharto, but was forced to do so by Nasution.

7. Earlier report we had from another source to effect that Sukarno was ousting Sughardi as information officer of Department of Defense

<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 15-1 INDON. Secret; Exdis; Immediate. Repeated to CINCPAC for Manila and to the Department of Defense. Passed to the White House.

<sup>2</sup> In telegram 1017, October 15, the Embassy reported that Nasution was satisfied with the U.S. assurance concerning British military intentions. (Ibid.)

is not true. It is true that Sukarno at first considered Sughardi as being too outspoken against PKI and Tjakrabirawa, but Sukarno has relented, partly because he now knows more of the facts and partly because Sughardi used to be one of Sukarno's aides. Sughardi now sees Sukarno every day.

8. There is danger of trouble in the navy, where Subandrio is attempting to stir up dissidence. Martadinata is aware of this and is trying to head it off.

9. Untung is proving to be a problem to his interrogators who have been unable to extract much of interest from him. (Note that this conflicts with a German Embassy source, but we believe that Nasution's aide's information correct.)

10. Army is now screening all of its officers to eliminate those who are untrustworthy. In past several days forty have been picked up for detention, including Lt. Col. Soewasono who, working directly under General Pronoto, was largely responsible for personnel assignments and who used his office for infiltration of leftists into key spots.

11. *General Comment:* In reviewing telegrams I have drafted during past two weeks reporting Colonel Ethel's regular contacts with Nasution's aide, I gain distinct impression that army is proceeding methodically against Communists and Subandrio, though being prepared to co-exist with Sukarno for reasons Embassy has recently reported in detail. Also looking back over record I note that Nasution's aide has given us much accurate information as to up-coming developments, which helps to establish his reliability as well as fact that army leadership seems to know where it is going, at least in short run.

**Green**

**158. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, October 20, 1965, 0330Z.

1090. 1. Army and other actions against PKI have been covered in detail in our sitreps and regular reporting.<sup>2</sup> Question now is extent to which party's effectiveness and potential have actually been impaired.

2. While situation still fluid, evidence to date indicates party has received major, though not necessarily mortal, blow to its image, considerable damage to its communications and command structures, and some damage to its organizational strength through arrest, harassment and, in some cases, execution of PKI cadres.

3. Extent of this damage cannot be definitely fixed but is certainly significant. In area of communications and command, we have direct evidence [*less than 1 line of source text not declassified*] that PKI itself already regarded its communications to be virtually shattered a week or so ago, even before army repression had reached its peak. Some thousand of PKI cadres have reportedly been arrested in Djakarta area alone and several hundred of them have been executed. We know that Njono, head of Djakarta PKI and Politburo member, was arrested and may have been executed and there are unconfirmed reports of other arrests of top leaders including Anwar Snauee. Army sweeps of Kampung areas have also disrupted channels of communication, and loss of buildings, effects of curfew in Djakarta shut-down of telephone and telegraph system, etc., are forcing PKI to employ inefficient and cumbersome devices no matter how well prepared their underground network may have been.

4. Thus far, however, basic PKI organizational potential would appear to be largely intact and capable of recovering quickly in a purely organizational sense if its status were recognized by the government and army attacks were stopped. However, there would still be severe damage to its image that, taken by itself, would tend to impair recruitment and decrease possibilities for successful prosecution of United Front tactics. Also, even now party will face uphill fight in regaining degree of popular acceptance and ostensible prestige it enjoyed before Sept 30. At same time, if return of PKI did take place and could be

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 12 INDON. Confidential. Repeated to Canberra, CINCPAC for POLAD, Hong Kong, Kuala Lumpur, London, Manila, Moscow, Paris, Tokyo, and Wellington.

<sup>2</sup> In telegram 923 from Djakarta, October 8, the Embassy reported that the Army had arrested several thousand PKI activists and it has recovered many, but far from all, of the weapons distributed to Communist troops. (Ibid., POL 23-9 INDON)

shown as sign of anti-PKI weakness and indication that opposition to PKI was useless, loss popular image could be at least partially offset by psychology of intimation and by terror.

5. If army repression of PKI continues and army refuses to give up its position of power to Sukarno, PKI strength can be cut back. In long run, however, army repression of PKI will not be successful unless it is willing to attack communism as such, including associations with China and other bloc countries and Communist ideology, including many of key pillars of Sukarno doctrine. Army has nevertheless been working hard at destroying PKI and I, for one, have increasing respect for its determination and organization in carrying out this crucial assignment.

6. PKI capability for insurgency reported septel.<sup>3</sup>

**Green**

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<sup>3</sup> In telegram 1098 from Djakarta, October 20, the Embassy stated it had no real evidence that the PKI was planning insurgency. On balance, the Embassy concluded that the Army could cope with insurgency on a national basis, but it would have serious and perhaps prolonged trouble rooting the PKI out of some areas of Java and North Sumatra. The Embassy added that should Sukarno side with the PKI, the difficulties would be greatly increased. (Ibid.)

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#### **159. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, October 22, 1965, 7:14 p.m.

508. 1. Following thoughts on current and prospective Indo situation are based primarily on Mission's excellent reporting during past few weeks, are tentative, and are intended to solicit Embassy's comment.

2. Main elements current situation are:

- a. Indo Army still cleaning up situation;
- b. Sukarno resisting elimination PKI and trying to reassert control;
- c. PKI apparently undecided between pursuing legal struggle if possible or resorting to insurgency and terrorism;

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret; Priority; Limdis. Drafted by Cuthell, cleared by Berger, and approved by Bundy.

d. Non-communist civilians who have been inactive in past years becoming actively anti-PKI, but their leaders still much in background and not playing major role. Situation likely settle down slowly in some new pattern. To date and probably in near future issue regarded as domestic (except for question of Chicom involvement), and our only role has been to give quiet assurance that we and allies will not interfere. As situation takes new shape believe it likely Army and perhaps others who will be responsible for running country will feel need to know our position toward their regime.

3. Obviously premature to assess what shape new situation will take. Alternatives seem to include, in broad terms,

a. Restoration pre-September 30 situation—i.e. Sukarno-run PKI dominated Indonesia;

b. Some version of NASAKOM with Army having ultimate responsibility for success, and "KOM" being successor to PKI;

c. Army-backed, and in part operated, civilian regime with substantial Marxist-Socialist civilian component;

d. Out and out Army regime.

4. In unlikely event a. above develops, our relations with Indo clearly back where they were and probably much worse. d. seems equally unlikely in view Nasution's and Army's often stated desire avoid military vs. civilian situation and importance military has long given to need for development anti-PKI, non-communist civilian government. This course would also involve direct challenge to Sukarno and subject Army's real cohesion to major and unwanted test (Embtel 1098).<sup>2</sup>

5. b. and c. above, which we currently believe more likely, are essentially variants of same situation but probably with different internal backgrounds. b. implies settlement with Sukarno which tolerates existence weakened PKI, while c. might well result in PKI hard core being out of power, underground, and engaged in insurgency and terrorism. Likelihood in both cases is that Subandrio would be out or reduced to non-control position, while Sukarno, if present, would not have final authority in basic issues.

6. Regardless of which form new regime takes it will be faced by three major problems apart from basic issue internal security:

a. Priorities: While operating behind façade of current domestic policies regime will be oriented more toward Indonesians' domestic problems, and this in turn will mean greater attention to long neglected and critical economic problems.

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<sup>2</sup> See footnote 3, Document 158.



b. Foreign Policy: Indoctrination in NEFO–NEKOLIM and other acrostics so deep (and often swallowed by military themselves) that changes can only be gradual in short term and likely to be in style rather than substance;

c. Communism: As indicated para 3 your 1021,<sup>3</sup> PKI is one thing, communism another. As most educated Indos have large Marxist element in their thinking, regime will have to try to educate opinion slowly to recognize that communism is more than economic theory, and that it is not simply aggressive form Indonesian nationalism (para 5 your 1090).<sup>4</sup>

7. New regime will obviously need external aid to deal with economy. Will have difficult task of doing so while handicapped by foreign policy and hobbled by confusion on economic theory. Despite this problem, approaches to Thai, Japanese, Germans and apparently others which already made will have to extend toward something more formal than simple search for emergency bailing out in terms of food.

8. Basic to getting such foreign assistance will be establishment abroad of fact that Indonesia has new face, and in this Indos likely want to know how U.S. views them and what position U.S. will be conveying to other countries whether or not Indos choose seek direct help from us. As Indos probe us on question, and recognizing we dealing in still very hypothetical situation, suggest our description of our attitude should include following:

a. Like Indo Army, we have long assumed that at what it considered appropriate time PKI would make overt bid for power. We were surprised that PKI chose present period for open assault re Army, as events in past months seemed to us to have been moving steadily in PKI's favor. Only tenable conclusion we have been able reach after considerable study of available info is that Aidit and PKI were under heavy pressure from Chicoms to produce abrupt and prompt victory for Chicom interests in Asia in view recent setbacks for Chinese in Africa and elsewhere—without, of course, considering Indo interests.

b. Our hope continues to be that Indos will produce government and policy dedicated to Free Indonesia and to full development of country for benefit of Indo people;

c. As Army and non-PKI elements move into control of and responsibility for welfare of country they are going to have to take rapid and effective steps to correct current economic mess, and for this they

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<sup>3</sup> In paragraph 3 of telegram 1021 from Djakarta, October 15, the Embassy noted: "There is a subtle but important difference in Indonesia between being anti-Communist and anti-PKI. It is okay now to be the latter but not former." (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–9 INDON)

<sup>4</sup> Document 158.

will need foreign help. Indos have many friends in non-communist world who have long desired help, their objectives ranging from desire see Indo strength develop as force supporting freedom of other states to simple desire for normal and mutually profitable trade and commerce. We unaware of any free country which foolish enough to wish simply "exploit" Indonesia or its people in colonial sense. We are disposed to help Indos locate such help if they wish, but believe they will find it available without difficulty;

d. Our own bilateral relations have been poisoned by sea of hatred (of sort which produced September 30) which PKI has poured into Indonesia in past years. We recognize this background cannot be eliminated over night nor can it be ignored by Indo Government or by us;

e. In view foregoing, we assume Indos will want avoid anything looking like overt GOI turn toward U.S. For short run our assistance to them would probably have to be on covert or semi-covert basis related specific, small, ad hoc needs. We quite willing go along with this. In addition showing Indos we will not take advantage of difficult internal situation to intervene, we recognize probable need for passage of time to allow cooling off period, and will not seek or expect public evidences of pro-American feeling. (FYI: Further down road we would hope situation might stabilize to point where structured economic support along lines 1963 consortium idea could be considered, but think speculation about this, except as indicated sub-para c. above, not likely be useful in near future. End FYI.);

f. If real PKI insurgency situation develops we would, of course, try to meet Army needs as expressed to us by Army. Problem here could be continuation military aspects of confrontation and continuation stridently aggressive anti-American propaganda. If former stopped or suspended and latter moderated, we believe U.S. public and Congress would go along.

9. Foregoing obviously very tentative but believe Department and Embassy should try to agree on main lines of U.S. response if and as Indos probe our position in days and weeks ahead. Embassy's comments requested.<sup>5</sup>

**Rusk**

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<sup>5</sup> In telegram 1236 from Djakarta, October 27, the Embassy agreed with this analysis and recommendations. The Embassy recommended that the Department explore the possibility of "short-term, one-shot aid on covert, non attributable basis assuming Indo Army clearly solicits such aid." The Embassy was less pessimistic than the Department about changes in Indonesian foreign policy, especially towards China. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON)

**160. Memorandum From the President's Special Assistant for National Security Affairs (Bundy) to President Johnson<sup>1</sup>**

Washington, October 22, 1965, 11:30 a.m.

**SUBJECT**

The Week's Developments in Asia

There follows a summary of significant developments in Asia during the past week. Information classifications are given in brackets.

[Here follows material on Vietnam.]

*Indonesia* (secret)

Events in Indonesia since the abortive September 30th coup are so far a striking vindication of U.S. policy towards that nation in recent years: a policy of keeping our hand in the game for the long-term stakes despite recurrent pressures to pull out, break relations, recall our Ambassador, etc. More specifically, they are a vindication of our post-1963 approach and the recommendations of last spring's Bunker Report.

In the past week we have continued to grope with the obscure but very promising forces set free by the defeat of the September 30th plot. Ambassador Green's early analysis that there are now two Indo Governments—Sukarno and the Army—still seems valid; and since each Government needs the other (or rather, is too weak to topple the other), the uneasy balance may continue for a while. The Army is showing considerable courage, and the populace is with the Army to an extraordinary degree so far. Our Embassy is performing well.

Important unknowns remain: Sukarno's health, his degree of involvement in the September 30th plot, the whereabouts of Aidit (reportedly under arrest), anti-Chinese passions, etc. Whatever happens, we should expect no abrupt major change in Indonesia's vocal fuzzy Marxism or in its foreign policy—regardless of who runs the country. The longer we remain restrained and discreet (and the same for our press), the better.

[Here follows material on the Philippines, Ryukyus, and Chinese representation.]

**McG B**

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President, McGeorge Bundy, Vol. 16, 10/15–11/19/65. Secret.

# 161. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, October 26, 1965.

1184. 1. Pouching today detailed analysis of Sept 30 Movement.<sup>2</sup> Many key facts still not known but I believe we now have adequate information for informed assessment and suggest report be given wide dissemination. Following for immediate use are major highlights of report.

2. Sept 30 Movement. This Movement consisted of several army units, air force chief and several of his colleagues, and paramilitary elements formed from Communist cadres. Leaders included Lt. Col. Untung of Palace Guard (tough, dissatisfied soldier with Communist background); Army Brig. Gen. Supardjo (Pontianak); Lt. Col. Heru (Air Force Intelligence); and Navy Col. Sunardi. Principal culprits, however, are at very top: Sukarno, Subandrio, Aidit and his PKI, Omar Dani and elements of his air force. Communist China was involved, at least to extent of supplying several thousand guns which smuggled into Indonesia and distributed to Communist RBP. There circumstantial evidence that Peking aware of or perhaps even had hand in plot but this not established.

3. Objective. Plot probably had two options: (a) total coup except for Sukarno, or (b) limited coup involving removal of army leadership. Plot perhaps failed because it climaxed between these two. Additional complicating factor is likelihood that not all elements were working for same objective. Untung, for example, appears to have been fall guy who went along because of pro-PKI sympathies and resentment over high living of top GOI leaders. Others (PKI, Dani, possibly Subandrio and Sukarno) probably wanted to cut army down to size now in order accelerate Sukarno's rapid "turn of wheel" to left. Possible fear of army pre-emptive coup may have sparked move but this not known.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret; Priority. Repeated to Canberra, Kuala Lumpur, London, Manila for FELG/RSO, Medan, Singapore, Tokyo, Wellington, Paris, Hong Kong, Surabaya, and CINCPAC for POLAD. There is no time of transmission on this telegram. Passed to the White House, DOD, NSA, CIA, and USIA.

<sup>2</sup> Airgram 300 from Djakarta, October 22. (Ibid., POL 23-8 INDON) The Central Intelligence Agency's Office of Current Intelligence also prepared an analysis of the 30 of September Movement, OCI No. 2342/65, October 28. The memorandum's summary stated that the purpose of the coup was to "destroy the army leadership and presumably to redirect the army's political thrust," but beyond these ends the motivation of Untung and Vice Air Marshal Yani remained unclear. As for the PKI, elements were involved, but the "role of the party leadership remains obscure." (Johnson Library, National Security File, Country File, Indonesia, Vol. V, Memos, 10/65-11/65)

4. What Probably Happened. At 0200 Oct 1 less than three battalions army troops began move and by 0400 had sealed off palace, taken telegraph office, telecommunications building and perhaps National Bank, and assumed position around Merdeka Square. Other key objectives obtained through inside cooperation. Between 0300 and 0500 raids by element army, Palace Guard and PKI youth occurred on homes of 7 top generals resulting in murder Gen. Pandjaitan, kidnapping (with some wounded) of Gens. Yani, Soetojo, Parman, Harjono, Suprpto. Armed Forces Chief of Staff Nasution escaped over wall and Gen. Suharto apparently missed because he not at home. Generals and Nasution's aide were hauled off to secluded spot on grounds Halim Air Force [Base] and tortured and murdered. Mutilated bodies found Oct 3. There seemed to be no close coordination in provinces except possibly central Java where Sept 30 Movement forces held several points briefly and Joga changed hands several times before reverting to government control Oct 4.

5. Movement forced into early retreat by quick reaction under Gen. Suharto of Strategic Command (Kostrad) and dwindling support for Untung. During evening Oct 1 Suharto, joined by cavalry battalion from Adjie's Siliwangi division recaptured strategic points and secured city. Rebel troops retreated to Halim; Untung and Air Force Chief Omar Dani flew to his Swahjudi air force base near Madiun early Oct 2. Sukarno went to Bogor Palace.

6. Probable Role of PKI. Since 1952 PKI has pursued United Front strategy proceeding cautiously toward peaceful transition into socialist stage. In mid Sept party began taking vigorous security measures. Whether it feared army attack or was itself preparing for coup attempt not known. In any event there no question of PKI involvement in Sept movement. Aidit and other top leaders almost certainly in on planning, PKI unions in transport and communications fields assisted movement and PKI newspaper was only one to support it. Whether timing was triggered by concern Sukarno's health or fear imminent army coup, PKI decision to participate seems to have been hurried one.

7. Role of Sukarno. Many knowledgeable Indonesians join most foreign diplomats here in believing Sukarno involved in Sept 30 Movement, although extent his complicity not clear. Sukarno's long term political record of close association with PKI merged over past year into virtual public identification with PKI. On Sept 29 in speech to Communist youth, he referred to former "loyal generals" who had become "protectors of counter-revolutionary elements. These we must crush." Important circumstantial evidence lays critical questions at Sukarno's door. His actions during and after coup are suspect, including his lack of any real public remorse over murdered generals. There are reservations, but odds seem overwhelming that, at very least, Sukarno

knew what was afoot and had given tacit blessing to seizure of generals, probably having let himself be convinced (not a hard job) that they planning coup against him. He may not however have been in on all details.

8. What Went Wrong. Coup came dangerously close to success. It perhaps failed because of differing objectives of those involved and fact it climaxed between being standard coup attempt and pure act of terror. Untung quickly gained control of capital, and Dani and Aidit came to his support. However, army regrouped quickly around Nasution and Suharto, masses failed to rise against "capitalist bureaucrats," and it possible Sukarno backed out when he learned generals killed and all not going well.

#### 9. Conclusions

A. PKI has received serious setback to prestige and organization. Road back will be long one but with Sukarno's support party could eventually make it if army permits. This is key to situation.

B. Seems army will not now move directly against Sukarno, whom they probably believe necessary as symbol national unity.

C. Sukarno likely remain single most important figure in Indonesia but will not for foreseeable future regain power and prestige he had before Sept 30.

D. To date army has performed far better than anticipated in attacking PKI and regrouping. Degree to which it will stand up to Sukarno not yet proven, but seems almost certain army will continue exercise considerable restraining influence on him.

E. Communists could cause considerable difficulty through insurgency, strikes or mass action but will probably not resort to this tactic except as very last resort. Some elements in army hope PKI will take to hills so army can use its military strength against them.

F. If Sukarno dies in near future, recent events give major boost to army in assuming effective control and countering PKI.

G. Comments on implications recent events for Indonesian foreign policy reported Embtel 1166<sup>3</sup> (Notal).

**Green**

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<sup>3</sup> In telegram 1166 from Djakarta, October 23, the Embassy suggested that the outcome of the power struggle between Sukarno and the Army had the potential for a significant shift in Indonesia's foreign policy. Complete victory by the Army might well make expansionism and concomitant anti-Westernism outmoded. Even a partial Army victory would produce a change for the better. The central question was how to help the Army to win, but without revealing that assistance and thereby becoming a handicap rather than an asset. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US)

**162. Editorial Note**

The Embassy in Djakarta was hampered in its reporting on events in the areas outside the capital by the general confusion and chaos of the initial conflict between the Partai Komunis Indonesia (PKI) on one hand and the Indonesian Army and anti-Communist forces on the other. At first the Embassy viewed the fighting and violence as a potential military/guerrilla conflict and concentrated on the PKI's armed activity and its potential for terrorism. In telegram 1215 from Djakarta, October 27, 1965, the Embassy recounted multiple reports of increasing insecurity and mounting bloodshed in Central Java, but could not determine whether it was caused by the PKI moving towards terrorism and sabotage, "local PKI cadres reacting uncoordinatedly to pressures upon them," or the Army "purposely moving to wipe out questionable elements and gain control." (National Archives and Records Administration, RG 84, Djakarta Embassy Files: Lot 69 F 42, POL 23) On October 28 the Embassy reported that a PKI source alleged that the PKI was about to engage in a "war of liberation" and cited incidents of PKI terrorism to support this conclusion. The telegram stated, "There [is] no question, even allowing for exaggeration, that PKI acts of terrorism have increased." (Telegram 1248 from Djakarta, October 28; *ibid.*, RG 59, Central Files 1964–66, POL 23–9 INDON) On October 28 the Embassy Country Team reviewed the situation and sent its appraisal. Although the report emphasized the deteriorating security situation in Central Java, East Java, Bandung, and Djakarta, the team could not say "whether these incidents were isolated acts of local communists or beginning of a coordinated act of terror and sabotage." The report concluded that Indonesia was heading for a "period of chaos, since PKI has residual strength and arms, but balance seems on Army side." (Telegram 1255 from Djakarta; October 28; *ibid.*)

At the end of October 1965, the Embassy began to receive reports of killings and atrocities against PKI members, which were generally reported upon in the context of continued armed PKI resistance. On October 29 the Embassy reported that "Moslem fervor in Atjeh apparently put all but few PKI out of action. Atjehnese have decapitated PKI and placed their heads on stakes along the road. Bodies of PKI victims reportedly thrown into rivers or sea as Atjehnese refuse 'contaminate Atjeh soil.' " (Telegram 1269 from Djakarta; October 29; *ibid.*, RG 84, Djakarta Embassy Files: Lot 69 F 42, Pol 23–9) By November 8 the Embassy reported that in North Sumatra and Atjeh "the Army with the help of IP–KI Youth organizations and other anti-Communist elements has continued systematic drive to destroy PKI in northern Sumatra with wholesale killings reported." On November 13 the Embassy had a report from the local police chief that "from 50 to 100 PKI

members were being killed every night in East and Central Java by civilian anti-Communist troops with blessing of the Army." A missionary in Surabaya reported that 3,500 PKI were killed between November 4 and 9 in Kediri and 300 at Paree, 30 kilometers northwest of Kediri. (Telegrams 1374 and 1438 from Djakarta, November 8 and 13, and telegram 171 from Surabaya, November 13; *ibid.*) These types of anecdotal reports continued well into the first months of 1966. In airgram A-527 from Djakarta, February 25, 1966, the Embassy reported estimates of the PKI death toll in Bali at 80,000 with "no end in sight." The Embassy attributed the murders to sharp conflict there between PKI and the Indonesian National Party (PNI), but also to the "tradition of family blood feuds" and suggested that "many of the killings that are taking place under a political cover are actually motivated by personal and clan vendettas." (*Ibid.*, RG 59, Central Files 1964-66, POL 23-9 INDON)

Gradually the Embassy came to realize that Indonesia was undergoing a full scale purge of PKI influence and that these killings were overlaid with long standing and deep ethnic and religious conflicts. The fact that many of the killings took place in outlying areas tended to obscure their magnitude. The Embassy still had no good estimates of the number of Indonesians who perished. In airgram A-641 to the Department, April 15, 1966, the Embassy stated that the problem was the impossibility of weighing "the countervailing effects of exaggeration (which is especially common in Indonesia) and the interests of persons involved to cover up some of the crimes. The truth can never be known. Even the Indonesian Government has only a vague idea of the truth." The Embassy admitted, "We frankly do not know whether the real figure is closer to 100,000 or 1,000,000 but believe it wiser to err on the side of the lower estimates, especially when questioned by the press." (*Ibid.*, POL 2 INDON)

In 1970, Foreign Service Officer Richard Cabot Howland, an officer at the Embassy in Indonesia in 1965 and 1966, published an article in the classified publication, *Studies in Intelligence* (Vol. 14, Fall 1970, pages 13-28) which has subsequently been declassified and is available at the National Archives and Records Administration, RG 263, CIA Records, *Studies in Intelligence*. Howland's article attempts to refute three misconceptions popular at the time of his article: that the Indonesian military was encouraged to move against the PKI by the forceful U.S. stance in Vietnam, that the Chinese were behind the September 30 coup attempt, and that from 350,000 to 1.5 million PKI members were killed in reaction to the September 30 coup. Howland described his own efforts in Indonesia to elicit information from Indonesians in 1966 and his difficulties in obtaining accurate answers and hard data. He suggests that PKI death numbers were inflated by local Indonesians to demon-



strate their anti-PKI sentiments to the new anti-Communist authorities in Indonesia. Howland does make his own estimate. He recalls that he received figures from a Lieutenant Colonel in the Army's Supreme Operations Command's "Social Action Affair Section" which the military man assured him were accurate from field reporting. Howland writes: "The totals were 50,000 dead on Java; 6,000 dead on Bali; 3,000 in North Sumatra. I was skeptical of his methods but accepted his estimates *faux de mieux*, and combining them with my own data produces a figure of 105,000 Communist dead." (*Ibid.*, page 23)

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**163. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, October 29, 1965, 3:48 p.m.

545. 1. Following is our tentative analysis of developing situation in Indonesia and implications for US. We very conscious you have most or all of what follows in mind, but would like your comments and observations in order to develop it into policy recommendations.<sup>2</sup>

2. Nasution's speech October 25 and the openly declared campaign against Subandrio are first conclusive evidence that Army leaders are determined make all-out fight against PKI and its fellow-travelers, and will not be deflected from this purpose by Sukarno's opposition.

3. Army leaders are increasingly asserting themselves against Sukarno. Their game appears be to separate him from his anti-Army advisers; isolate him; and then use him, or possibly dispose of him, as situation requires. Seems inconceivable, at this stage, they can afford let initiative slip from their hands back to Sukarno's.

4. PKI in headlong retreat in face of mass attacks encouraged by Army. However, at some stage PKI will reconstitute some of their forces and fight back—by strikes, sabotage, or guerrilla action, against

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret; Priority; Limdis. Drafted by Berger, Cuthell, and Underhill and approved by Berger. Repeated to Tokyo, and CINCPAC also for POLAD.

<sup>2</sup> In telegram 1304 from Djakarta, November 2, the Embassy agreed with the general conclusions in this analysis, although it stressed that the outcome of the continuing struggle between Sukarno and the Army was not clear. On balance the Embassy believed the Army would continue to exercise an important political role, but would make concessions to Sukarno because it needed him and because some Army leaders still revered him. The Embassy anticipated a long, difficult political struggle. (*Ibid.*)

background of propaganda that Army is reactionary tool of imperialist powers and C.I.A. Army will have no choice except meet this counterattack and will need more or less coherent government to back up their efforts.

5. Army has traditionally maintained that its role is non-political and has shied away from any idea taking power or sharing direct responsibility for governing. But appalling fact in Indonesia, with collapse NASAKOM concept, is that there is no organized or disciplined force capable of providing leadership and direction to successor government, except Army. Unless Army accepts the responsibility for taking lead in new government, however unready or unwilling it may be, there will be anarchy in government, further economic chaos, and Army will be handicapped in meeting the PKI challenge. Sooner or later, and probably sooner, it will become increasingly clear to Army leaders they are only force capable of creating order in Indonesia, and that they must take initiative to form a military or civilian-military provisional government, with or without Sukarno. The Army is already making top policy decisions independently of Sukarno and is more and more acting as *de facto* government.

6. Relations with Red China are increasingly strained, and given the suspicion of Army leaders that Chinese Communists were behind the coup, and the course Army must take—i.e., destruction of PKI—a break with China cannot be ruled out. The Soviet Union has begun to exert pressure on Army to call off its campaign against the left, even hinting aid would be cut off. Army cannot capitulate to this pressure without endangering its whole position.

7. If foregoing analysis correct, we can begin see shape of some problems that may be posed for us:

a. As the Army begins to think in terms of new government, they may move toward military junta, a civil government, or a military-civil coalition. If our views are sought, any doubts they may have should be resolved by encouraging them to form a civil-military coalition, on grounds that their presence in government as a unified and disciplined force is essential in at least early stages, to stability of such a government, to campaign against PKI, to economic reform, and to plotting Indonesia's new course independent of outside influence.

b. Chinese Communist open hostility toward Indonesian Army bound to increase as Army moves against PKI. Soviets are in somewhat different position, since they blame Peiping for aborted coup, but they will also be embarrassed as Army engages the PKI. If they support the PKI against the Army, they will put strain on their relations, but they cannot support Army. They will probably take nebulous and opportunist position. Both China and Russia are probably hoping Sukarno can

still reestablish his control and force Army to accept “purged” leftist party in a reconstituted NASAKOM.

c. If our assumption correct that Army must carry on its campaign against PKI, that PKI will react, and that China and Russia cannot ignore Army’s destruction of PKI and may criticize it—in fact they are already doing this—then Army will be forced to examine its attitude toward China and Russia.

d. From there it is only one step for Army to conclude that they must look elsewhere for friends and support. We can expect they will approach Japanese, other powers, and, no doubt, us. They will need little education in fact that Sukarno’s and PKI’s extreme foreign and domestic policies have isolated Indonesia and led Indonesia to brink of economic, political and social chaos. But given warped Sukarno thinking to which they have been exposed for so long, they will be less certain what to do about all this and fearful or suspicious of our advice and assistance. The Indonesian Army leaders’ close service-to-service relations with our military provide important channel of influence.

8. The next few days, weeks or months may offer unprecedented opportunities for us to begin to influence people and events, as the military begin to understand problems and dilemmas in which they find themselves.

a. We should try to fortify their confidence that Indonesia can be saved from chaos, and that Army is main instrument for saving it.

b. We should get across that Indonesia and Army have real friends who are ready to help.

c. When asked for help by Nasution we should respond by saying we are ready to help as they begin tackling their problems in sensible way.

d. They will need food, and we can point out that the International Red Cross can supply it, if they find direct help from us or others embarrassing. (Japan, Brazil, Malaysia, Thailand, Taiwan, and even the Republic of Korea have rice.) Raw materials and spare parts for machinery may be needed soon.

e. Indonesia’s currency and credit chaos needs immediate expert attention. We can point out that IMF can provide advice and that IMF and Indonesia’s real friends can provide assistance. But this will require change in recent attitude toward the IMF and toward friends.

f. Small arms and equipment may be needed to deal with the PKI. (Would the Soviet Union supply Army with equipment so long as it is attacking PKI?)

g. As events develop, the Army may find itself in major military campaign against PKI, and we must be ready for that contingency.

h. POL requirements may give us opening to suggest a de facto moratorium on nationalization of oil industry so as permit companies to give all-out support to Army's and the country's needs.

9. It may well be that Army will turn to Japanese in first instance. Japan can play notable part in this evolution toward more rational Indonesia. Japanese have a vital national interest in success of Army's campaign against PKI and in a stable and independent Indonesia. The Japanese are already taking initiative. (See Djakarta's 1238.)<sup>3</sup>

10. For the moment Japan is still hypnotized by Sukarno as the "essential" man and they are being careful not to antagonize him. But if events move in direction we have indicated, and Sukarno is isolated or removed, very different situation will present itself to Japanese. At some stage we must have quiet discussions with Japanese, compare notes on developments, and work out with them agreed lines of action. The time for that may well be not long after Subandrio is removed. We shall, of course, want to consult with British, Australians, and others as well.

**Rusk**

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<sup>3</sup> Dated October 28. (Ibid., AID 1 INDON)

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**164. Memorandum From the Assistant for Indonesia (Nuechterlein) to the Deputy Assistant Secretary of Defense for International Security Affairs (Friedman)<sup>1</sup>**

I-36439/65

Washington, October 30, 1965.

**SUBJECT**

Establishment of Inter-Agency working group on Indonesia

On October 29 Mr. Cuthell, Director of the State Department's Office of Southwest Pacific Affairs, called a meeting to discuss measures that might be taken to prepare for an insurgency situation in Indonesia. Present were Mr. Cuthell, his deputy Mr. Underhill, State's Indonesian

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<sup>1</sup> Source: Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 5127, Indonesia 000.1 Sensitive, 1965. Top Secret; Sensitive. Friedman was the Deputy Assistant Secretary of Defense in charge of Far Eastern Affairs. Also sent to Admiral Blouin, Director of the Far East Region, ISA.

desk officer Mr. Goodspeed, Mr. [name not declassified] of CIA and myself representing DOD.

The current situation in Indonesia was discussed briefly and it was agreed that there has been a sufficient deterioration in the security of central Java to warrant contingency planning in Washington of how the United States might aid the Indonesian Army if it requested our assistance. A joint State–Defense cable to Embassy Djakarta was finalized, asking for the Embassy’s estimate of what items of equipment and other materials the Indonesian Army might need if armed insurgency should develop suddenly.<sup>2</sup> In addition, [less than 1 line of source text not declassified] submitted a report [less than 1 line of source text not declassified]<sup>3</sup> which indicated that the security situation in Java might be considerably worse than reported thus far by the Embassy and that the Army might have difficulty coping with large-scale Communist insurgency. It is apparent that the Army’s greatest deficiency is in short-range communications equipment to support sustained operations against PKI guerrilla operations. Longer range communications equipment, between islands and perhaps also with other countries, may also be required if large-scale warfare breaks out. As DOD no longer has a military officer in Indonesia with communications expertise, [less than 1 line of source text not declassified] is sending a specialist in this field to review the communications situation with U.S. Mission officers (he will not talk to Indonesians) and his report should help clarify the Indonesian Army’s needs in this field.

It was agreed that for the moment, at least, the Indonesian Army probably has most of the equipment it needs to deal effectively with any PKI insurgency. What the U.S. might be requested to supply would be small quantities of specific items which are in short supply or in a poor state of repair. We would probably be requested to channel delivery of such items through a third country, such as Thailand or the Philippines. Therefore, it was agreed that we should not plan in terms of a resumption of MAP but rather a covert plan of assistance in which DOD would work [less than 1 line of source text not declassified] to insure the minimum risk of exposure. If the amount of equipment turns out to be more costly than [less than 1 line of source text not declassified] is able to handle, DOD may be asked to find ways to augment this effort. DOD was requested to determine quietly what stocks of communications equipment and other items that might be requested by the Indonesian Army are available in Thailand and what would be the means of getting it quickly in response to an urgent request.

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<sup>2</sup> Telegram 544 to Djakarta, October 29. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–9 INDON)

<sup>3</sup> Not further identified.

The working group will meet again on November 3. It is expected that a reply to the joint State–Defense message as well as a report from the [*less than 1 line of source text not declassified*] specialist will then be in hand. Hopefully, it will then be possible to plan more precisely for the types of equipment and other materials that the Indonesian Army may need to meet a serious insurgency situation.

D.E. Nuechterlein<sup>4</sup>

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<sup>4</sup> Printed from a copy that indicates Nuechterlein signed the original.

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### 165. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, November 1, 1965, 1200Z.

1288. Ref: [*1 line of source text not declassified*].<sup>2</sup>

1. Reftels [*less than 1 line of source text not declassified*] mark first instance of a senior Indonesian Army official asking us specifically for assistance. Sukendro's approach entails questions which we are still not in a position to answer satisfactorily. For example, does Sukendro represent Nasution–Suharto in this approach? To what extent does he have approval of at least friendly civilian authorities here? To what extent should we grant assistance to the army behind the backs of the civilian authorities? Could such assistance be concealed? Or if it became revealed how damaging would it be to the army and to ourselves?

2. At same time, we remain in the dark regarding army's future planning and capabilities on a broad range of issues and until we know more about their intentions and capabilities it would be hazardous to be drawn into any extensive assistance to military. (This problem was subject of Embtel 1271.)<sup>3</sup>

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–9 INDON. Secret; Exdis; Immediate. Repeated to Bangkok. Upon receipt at the Department of State, passed to the White House.

<sup>2</sup> These telegrams reported that Sukendro asked for medical supplies, tactical communications equipment, rice, and raised the possibility of obtaining small arms, see Document 168.

<sup>3</sup> In telegram 1271 from Djakarta, October 30, the Embassy suggested establishing informal contact with a key figure in the military, not from the top leadership for reasons of conspicuousness, but someone who was close to the "so-called Army Braintrust" led by General Sukendro. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON–US)

3. On one hand, we have to bear in mind army leadership continues to knock US policies and play the same old tired records against NEKOLIMs. Confrontation continues and Indo military evidently feel that any concession in our direction (e.g. our oil properties) would be politically damaging. Hence there seems to be little prospect of break-through on a range of major issues of interest to US at least in near future.

4. On other hand, we have seen important changes past month that could foreshadow further major gains from our viewpoint. Nasution seems at long last to have been spurred to act on and, in tandem with Suharto and other [tough?] deeply motivated military leaders, is moving relentlessly to exterminate PKI as far as that is possible to do. Military and police here face precarious situation, outcome of which means much to free world and where we clearly have a stake. US, along with other like-minded countries, including Japan, have good reason to lend a helping hand to the extent that that help is really needed and to the extent that that help does not compromise army or detract from our interests.

5. If this Embassy, through its various channels, can establish fact that Sukendro is acting at behest of Nasution–Suharto, then I believe we should do what we can as soon as we can, to meet request for medical supplies. Cost is not prohibitive and quantity is such that both financing and shipping could probably be handled covertly. In the event that word were to leak out, adverse reaction would be largely mitigated by humanitarian nature of material provided.

6. As to request for communications equipment, we could tell army that we would give sympathetic consideration to providing certain types of equipment in reasonable quantity but that we would have to have a more explicit statement of army's needs and of purpose to which equipment is to be put before we can proceed. (Presume we would want to consult with UK and Australians on all of foregoing.)

7. As to provision of small arms I would be leery about telling army we are in position to provide same, although we should act, not close our minds to this possibility. There is a chance that situation in central Java might take such a turn for the worse that we would wish to move quickly with packages of certain types of arms. Meanwhile, we could explore availability of small arms stocks, preferable of non-US origin, which could be obtained without any overt US Government involvement. We might also examine channels through which we could, if necessary, provide covert assistance to army for purchase of weapons.

8. As for providing rice, I note that Sukendro does not specifically ask our assistance in this regard. He is merely explaining problem and

stating his intentions. Our view on rice question already submitted in Embtels 1164 and 1238.<sup>4</sup>

9. Unless you perceive objection we will check through contacts here to determine whether Sukendro's approach reflects wishes of Nasution-Suharto. Would also appreciate having your comments on foregoing.

Green

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<sup>4</sup> In telegram 1164 from Djakarta, October 23, the Embassy explored the range of possible economic assistance to Indonesia. (Ibid., POL AID (US) INDON) Regarding telegram 1238 from Djakarta, see footnote 3, Document 163.

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## 166. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>

Washington, November 1, 1965, 8:10 p.m.

562. Ref A: Embtel 1288;<sup>2</sup> Ref B: [*less than 1 line of source text not declassified*]; Ref C: [*less than 1 line of source text not declassified*];<sup>3</sup> Ref D: Embtel 1271.<sup>4</sup>

1. We share your view reflected para 1 Ref A that Sukendro approach [*less than 1 line of source text not declassified*] surrounded by complex of unanswered question relevant to our continuing relationships with Indonesian Army. We have now established contact with Army [*less than 1 line of source text not declassified*] but, as you bring out in Ref D, political contact through Galbraith to senior officer under Sukendro would close third side of triangle providing essential perspective on Army's program and intentions.

2. Before we become involved in furnishing assistance, we will want to establish through this political channel basic framework our relations with the Army as distinct from Indonesian Government. Secondly, will want to set up single reliable channel through which requests

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret; Immediate. Drafted by Underhill, cleared by William Bundy, and approved by Berger. Repeated to Bangkok.

<sup>2</sup> Document 165.

<sup>3</sup> See footnote 2, Document 165.

<sup>4</sup> See footnote 3, Document 165.



for aid would be submitted. Finally, we must bring home to Army that while we want to be helpful, our ability to be of assistance will depend in turn on the ability of the Army to influence Indonesia's foreign and domestic policies that have put so great a strain on our relations.

3. Concur that you proceed immediately to check through your contacts to determine whether Sukendro's approach reflects Nasution-Suharto wishes. At same time suggest you proceed with effort establish discreet link at political level as proposed para 5 Ref D.

4. Following thoughts, in addition to questions noted Ref A, suggested by Sukendro approach:

A. [*1½ lines of source text not declassified*] Does Sukendro not have reliable subordinate in Djakarta whom he trusts?

B. Request for medicines, which not considered of sufficient priority this year to warrant allocation foreign exchange, appears somewhat calculated effort appeal American sympathies. Parenthetically, we find it curious that funds available for Martidinata aero-commanders, but not for medicines.

5. While Sukendro has placed November 3 deadline on response his request we are disposed proceed cautiously. Your reporting thus far indicates no other element urgency and for time being we are disposed give him temporizing reply that his request is under consideration. We are proceeding analysis and costing of medical request so that we can move rapidly if situation warrants.

**Rusk**

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**167. Memorandum From the Director of the Office of Southwest Pacific Affairs (Cuthell) to the Assistant Secretary of State for Far Eastern Affairs (Bundy)<sup>1</sup>**

Washington, November 3, 1965.

**SUBJECT**

Indonesian Army Attitude Towards the United States Government

1. Ambassador Green has noted that we are now dealing with two Indonesian governments. The first is the established, Sukarno-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, EA/Indonesia Files: Lot 68 D 467, POL 23-9, 30 September Movement. Secret. Drafted by Underhill. Printed from an unsigned copy.

led Dwikora Cabinet. The second is the Indonesian military. There is evidence that the Indonesians see a somewhat comparable split image when they look at the United States, and this memorandum presents an estimate of the Indonesian Army's view of the American Government.

2. The Indonesian Army sees itself as dealing with three American governments. With some over-simplification for the purpose of rough identification, they may be described as the Pentagon, the CIA and the State Department. Recognition of the separate military, intelligence, and political aspects of the American governmental structure is not in itself remarkable. What is striking is the degree to which the Army feels it can keep its relationships with each in separate compartments, and deal with each on a separate plane in isolation from the other two.

3. The relationship with the Pentagon is a friendly, professional association developed at Ft. Leavenworth, Fort Benning and Fort Sam Houston. It is a service-to-service tie between military men which transcends political differences between the governments. It is an association founded on trust, respect, and a network of deep personal friendships.

4. *[11 lines of source text not declassified]*

5. The Army's relations with *State* have not been extensive. The Army has in the past regarded this manifestation of the American Government as the proper province of the civilian branch of the Indonesian Government. While not regarded as hostile to the Army as such, *State* is identified in the Army mind with policies and actions inimicable to Indonesia's basic national objectives.

6. The Army knows that all three United States governments approve of its actions against the PKI, and that all three are disposed to help the Army in this effort. The basic problem which now confronts it is how this American desire to help can best be exploited, first in the interests of the Indonesian Army, and, second, in the interest of Indonesia. (The Army naturally sees these two objectives as almost identical.)

7. Help from the Pentagon, i.e., large amounts of arms and material in a MAP pattern, for the time being is foreclosed because it cannot be concealed, and is therefore politically unacceptable. Non-military assistance from *State* also could not be kept covert and has therefore the same major political drawback. *[5 lines of source text not declassified]*

8. Looking beyond its current campaign against the PKI, the Army is undoubtedly aware of the problems it will have with *State* before any large-scale resumption of American assistance is possible. Among these are the following:

a. The Army opposes western military presence in Southeast Asia.

b. The Army favors continuation of confrontation. It may have some differences with Sukarno and Subandrio on tactics, but not on basic policy. Confrontation provides a desirable unifying influence. It provides a foreign enemy against which to channel popular hostility. It provides a rationale for continuing sacrifices from the civilian population and it justifies a continuing lion's share of the budget for the military establishment.

c. The Army opposes our policy in Viet-Nam. It considers our military presence as western intervention encouraging rather than deterring Chinese intervention in Southeast Asia.

d. The Army is strongly nationalistic in economic orientation, and favors the takeover of western economic interests. We could be seriously mistaken if we believe that the Army does not favor a takeover of the American oil industries. It has undoubtedly calculated very carefully the repercussions of such a takeover and may have already made careful preparations with the Japanese and other powers to compensate for any ill effects. Transportation and marketing would obviously be the main problems confronting a national oil industry, and the Japanese are in a position to help on both. The Army may be quite prepared to force Stanvac and Caltex out, go ten or twenty cents per barrel below the world market price in return for Japanese cooperation, and pocket the remainder of the company's share of the profits. On this basis the Army may calculate that Indonesia's foreign exchange position would be improved rather than damaged by a takeover. From the political point of view, such a strongly nationalistic action would be applauded by virtually all Indonesians. It would cut the ground from under the PKI and establish the Army as a firm foe of NEKOLIM.

e. The Army has a major stake in continuing good relations with the Soviet Union. These relations, they feel, will probably survive the current campaign against the PKI, but might suffer serious damage through any highly visible rapprochement with the United States. The Army has a tremendous investment in Soviet hardware, and without spare parts this hardware becomes a pile of junk. The Army's prestige and its position as a major military force in Southeast Asia depends on continued functioning of this equipment. The Army must persuade the Soviet Union that it is anti-Chinese and that despite its actions against the PKI it will continue with policies that will serve Soviet interests in Southeast Asia.

9. If the foregoing analysis of the Army's position is valid, it has the following implications for U.S. policy:

a. In the life and death struggle which has finally been joined with the PKI, the Army deserves our support.

b. For the time being we should accept the fact that the best we can hope for is a more truly non-aligned Indonesian Government still

hostile to the United States in many ways, but also hostile in many respects to the interests of both the Soviet Union or Communist China.

c. For the time being we must accept a minor role in influencing the course of Indonesian events. The United States has been too firmly established as the enemy of Indonesian national hopes and ambitions to permit Indonesian individuals and organizations to work publicly with us. We can, however, play an important supporting role with the Japanese and other acceptable foreign governments, and we have an obvious contribution to make in selecting small-scale covert assistance.

d. With the passage of time a more truly non-aligned Indonesian Government may gradually come to recognize that American and Indonesian interests are in harmony and not in opposition. Under these circumstances our investment in training of Army officers under MAP, and civilians under a variety of AID programs will bear fruit. This is, however, a process which must proceed at its own pace and any well-meaning efforts to hurry it are likely to have the reverse effect.

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**168. Memorandum From the Assistant for Indonesia  
(Nuechterlein) to the Deputy Assistant Secretary of Defense  
for International Security Affairs (Friedman)<sup>1</sup>**

I-36462/65

Washington, November 4, 1965.

**SUBJECT**

Indonesia Working Group

The second meeting of the Indonesia Working Group took place on 3 November in Mr. Cuthell's office at State. Present were Mr. Cuthell, Mr. Underhill and Mr. Goodspeed from State; Mr. Friedman and Mr. Nuechterlein from DOD; Mr. [name not declassified], CIA; and Mr. Thompson, White House Staff.

The major subject for discussion was the request of General Sukendro, General Nasution's apparent emissary, for medical supplies, tactical communications equipment, rice and possibly small arms to assist the Army in dealing with PKI dissidence during the next few months. As Sukendro's request was [less than 1 line of source text not declassified]

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<sup>1</sup> Source: Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 5127, Indonesia, 000.1, sensitive, 1965. Top Secret; Sensitive. Also sent to Blouin.

stated in somewhat vague terms, State has queried Embassy Djakarta in order to determine whether Sukendro is acting with full support from General Nasution and if so, whether the Embassy believes that the USG should agree to financing all or part of this limited assistance.<sup>2</sup> At the time of the meeting, no reply had been received from Djakarta. Neither had there been any reply to the Joint State–Defense request of October 29 asking for an appraisal of the kind of military assistance that might be requested by the Army in case of PKI insurgency.<sup>3</sup> There was considerable discussion over whether it was in the interest of the USG to make limited medical, economic and military assistance available to the Indonesian Army without conditions. State is of the view that Sukendro's request for assistance was an opening wedge designed to find out how willing the United States is to grant aid and on what conditions. State therefore believes that before committing itself to aiding the Indonesian Army, the USG should have a better idea than it presently does of what future Army policies are likely to be. DOD and the White House Staff believe that the USG should not attach conditions initially because they feel it is important to assure the Army of our full support of its efforts to crush the PKI, which is the basis of Sukendro's request. It was decided [*less than 1 line of source text not declassified*] Sukendro should be advised his request is being considered in Washington. If we determine from Djakarta that Nasution supports Sukendro's request, we will then decide what items should be made available and the extent to which the USG will pay for them.

There was considerable discussion of the desirability of consulting at a high level with the Japanese Government to enlist its support for a policy of aiding the Indonesian Army. One problem is that the Japanese prefer to work with a government headed by Sukarno and it is not certain at this point whether Sukarno will eventually be persuaded to work with the Army against the PKI. However, the Japanese show signs of disenchantment with Sukarno's leadership, and it may be possible to get their support for an aid program that would support the Army's position. State will look into the possibility of a high-level approach to the Japanese Government. The meeting also agreed that it might be desirable at some point to bring the Thai Government into the picture, in view of its good relations with Indonesia and because it could serve as transit point for assistance we might wish to give the Indonesian Army.

[*less than 1 line of source text not declassified*] now has the report of its communications specialist who was sent to Djakarta to determine the needs for tactical communications equipment. These needs are not

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<sup>2</sup> See Document 166.

<sup>3</sup> See footnote 2, Document 164.

large and [less than 1 line of source text not declassified] will be able to fill them without difficulty if a decision is reached to proceed. DOD will consider the possibility of augmenting [less than 1 line of source text not declassified] funds if requirements for covert assistance become large.

[less than 1 line of source text not declassified] has alerted its contacts to report any increase in commercial shipping headed for Indonesia that might be carrying arms to the PKI. This information will be made available to Embassy Djakarta for possible transmittal to the Indonesian Army. There is no requirement as yet for DOD to augment surveillance over shipping in the vicinity of Indonesia; but this may be desirable if the security situation in Java becomes critical.

Another meeting of the Working Group is scheduled for November 10. However, it may be called sooner if a decision is required immediately on some of the items requested by General Sukendro.

D. E. Nuechterlein<sup>4</sup>

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<sup>4</sup> Printed from a copy that bears this typed signature.

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**169. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, November 4, 1965, 0845Z.

1326. Ref Embtel 1271.<sup>2</sup>

1. DCM saw contact mentioned reftel in informal, easy-to-talk setting and achieved some clarification on army's thinking about current problems as well as being able plant idea that dialogue between this Embassy and someone close to Nasution and Suharto on future political, economic and foreign problems and policies of Indonesia would be useful to both sides. Emerging from discussion were following salient points:

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret; Immediate; Limdis. Repeated to CINCPAC for POLAD. Upon receipt, passed to the White House, CIA, NSA, and USIA.

<sup>2</sup> See footnote 3, Document 165.

2. Suharto, not Nasution, is one who gives orders, conceives his own strategy and faces Sukarno directly. But he and Nasution are close, Nasution advises him, and there is general understanding that they will not permit wedge to be driven between them as happened in case Nasution and Yani. Source said, "We are saving Nasution for later."

3. DCM probed at some length to discover whether there any civilian political figures especially close to army with whom it would be useful to discuss future. If there are any civilian political figures working closely with army now, other than some of Cabinet ministers in their respective fields, it is being carefully concealed. Only name source proposed as civilian spokesman close to army was Suwito. He said Suwito had been completely disillusioned about Subandrio. DCM said his experience with Suwito had not shown latter to have very friendly or cooperative attitude towards Americans but we of course glad to talk to anyone army felt they could trust.

4. In Central Java army (RPKAD) is training Moslem youth and supplying them with weapons and will keep them out in front against PKI. Army will try to avoid as much as it can safely do so direct confrontation with PKI.

5. With top PKI leadership most of whom are in Djakarta, army is avoiding frontal attack. While carefully limiting their freedom of action and movement, army is letting groups other than army discredit them and demand their punishment, and awaiting developments. Smaller fry being systematically arrested and jailed or executed.

6. Similarly indirect tactic being used with Subandrio. Army discussed removing him but decided against frontal attack, instead is keeping in background and letting other groups attack and slowly demolish Subandrio's image. It requires more time to do it this way but it runs less risk of alienating Sukarno from army.

7. Suharto recently had a three hour discussion with Sukarno trying to convince Sukarno that firm measures army taking against PKI correct and necessary. Sukarno appears to have been convinced (another well-informed source told DCM same thing evening of Nov. 3) that Suharto should have his support. Both these sources believe that Sukarno now accepts Suharto, mainly however in sense of force majeure. DCM asked source whether Sukarno had really accepted Suharto's approach or was merely pretending to do so. Source said he wasn't sure.

8. With reference to solicitation of aid, Sukendro and Sukendro alone speaks for Nasution-Suharto now. Procurement of rice particularly is exclusively concern of Sukendro. Rice is not to be procured by private entrepreneurs.

9. Although Suharto is moving slowly and as much as possible through parties and mass movements in Djakarta and much of Java,

in outer islands local military commanders have free hand to take direct action against PKI and they are doing so.

10. Army confident it can break back of PKI attempted insurgency before it get[s] too serious.

11. Army is not thinking purely in military terms or intending turn political future of Indonesia over to civilian elements. Army is moving its people into all aspects of government and organizational framework with view keeping control on political trends and events.

12. Atmosphere of sloganeering aimed at West generally and US particularly would be subject to gradual change but it could not be done all at once. (DCM has made strong point that there would have to be drastic change in this atmosphere before it would be possible for US representatives to work effectively with army or other Indonesians.)

13. DCM made clear that Embassy and USG generally sympathetic with and admiring of what army doing. We felt it essential that we not get involved in any way in present struggle fearing to do [so] would handicap effort army making. We thought it would be well, however, if we could find some way to carry on dialogue with someone or preferable more than one, including civilians, as close as possible to thinking of Nasution and Suharto. Objective would be to lay foundation of understanding between us. This would involve no commitment by either side but would make it easier for us to act effectively if at some future date army should want help from US. There were problems between US and Indonesia which, if not handled in context good understanding between us could grow to proportions which would make it harder rather than easier for us to help Indonesia if in future assistance of any kind desired. One such problem was position American oil companies. Source, who is among most articulate and comprehending of Indonesian Army officers in English, indicated understanding and said he would think it over, consult with his colleagues and be in touch with DCM later.

14. DCM makes following conclusions:

A. On basis this conversation Suharto is much more important political as well as military figure in fact as well as in minds of those around him than DCM, at least previously thought. It is also reflected in other evidence that at least in minds public Suharto is more and more emerging as strong man in Indonesia.

B. Although this is highly speculative, it seemed implied that there is longer term as well as short term army strategy (army, probably wisely, is saying as little about that as possible) which involves plan to make Nasution candidate for the top position after Sukarno.

C. Implication of saving Nasution for later (para 2 above) seems to mean that Suharto will assert carefully applied army pressure and



control government but will not, if he can avoid it, take over in name so long as Sukarno is alive.

D. DCM speculates that Nasution–Suharto strategy is for Suharto to activate and instill confidence in Moslem elements. But not to bring Moslem leaders into limelight now. In the post-Sukarno era, Nasution may well play leading political role with Moslem support. People like Hatta, Adam Malik and others, whom we know CAS and other reports are in contact with army leaders, also probably being saved for post Sukarno era.

E. In typically Indonesian, if not Javanese fashion Suharto strategy calls for extreme patience and slow moving time framework. It will require an equally patient approach on part of US if at any point we are to mesh our efforts with army's. Army being very careful not to move too fast, probably out of concern for Sukarno but also because it is Indonesian way.

F. Not much thought has apparently been given yet to what army's conception of future relations with US are to be, or army is for moment keeping that carefully concealed.

15. We believe we have planted seed that may lead to useful political dialogue with army and we think we should continue to cultivate this garden being careful, however, not to overwork soil around still delicate plant constructive potential for us in Indonesia.

**Green**

# 170. Telegram From the Department of State to the Embassy in Thailand<sup>1</sup>

Washington, November 4, 1965, 7:34 p.m.

749. Ref: Djakarta's 1333.<sup>2</sup>

1. In view assurances reftel re Sukendro's role, agree we should proceed to process request for medical supplies, both because request explicitly made and because medical supplies relatively innocuous if fact of our assistance surfaced.

2. We are looking separately into question of communications equipment passed from Djakarta [*less than 1 line of source text not declassified*], prefer to keep this subject in Djakarta-Washington channel, and do not believe subject should be discussed with Sukendro. If he raises it, we would, however, like to know more precisely what he has in mind.

3. We do not have specific request from Sukendro for anything else. Apart from medical supplies, what he has done to date is to give us general outline of supply problem which Army faces and general outline his prospective shopping list. Since other questions such as supply of arms would present us with additional serious problems not involved in medical supplies issue, we do not wish to pursue subject with Sukendro for the present.

4. We understand Sukendro still in Bangkok. Mission should approach him through established channel and tell him following:

A. We are willing to act on his request for medical supplies, and are now reviewing list in terms availabilities, locations, means of covert purchase and pricing. We are having trouble with some items on list

<sup>1</sup>Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret; Immediate; Exdis. Drafted by Cuthell, cleared in draft with William Bundy and with Henry Koren, Deputy Director for Intelligence Coordination, INR, and approved by U. Alexis Johnson. Also sent to Djakarta and repeated to CINCPAC for POLAD and DOD for the Office of Secretary McNamara. U. Alexis Johnson sent a memorandum to the 303 Committee explaining the Army's request for medical assistance and submitting a draft of this telegram for approval. McGeorge Bundy approved the draft with minor changes, CIA gave its approval directly to Koren, and Vance telephoned U. Alexis Johnson with Defense approval. (National Security Council Files, Special Group/303 Committee Files, Subject Files, Indonesia) The 303 Committee noted on November 4 that these approvals were obtained by telephone. (*Ibid.*, 303 Committee Minutes, 11/16/65)

<sup>2</sup>In telegram 1333 from Djakarta, November 4, Green stated that he was "completely satisfied as to General Sukendro's credential as a spokesman for Nasution-Suharto on aid matters." Green recommended urgent action on limited covert assistance, especially Sukendro's request for medicines—"a one shot operation involving relatively small amounts of money"—while holding back on long term aid. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON)

which we cannot identify by nomenclature given, and would like keep in touch with Sukendro or someone he designates for clarification. If Sukendro wishes to handle personally, we would like to know where he will be in next few days so that list of questioned items can be sent to him.

B. When we have completed study of package we will communicate again with Sukendro and will inform him re size of package and any large discrepancy in time of availability of component parts. In meantime we would like Sukendro's views as to preferred method and place of delivery.

5. In delivering foregoing message would like to be sure our representative does not speculate about possibility favorable action any further items other than to indicate our general willingness to consider Army requests for small-scale covert assistance. Representative should also tell Sukendro that we will be glad to talk to him outside Indonesia about limited covert assistance, but that before Washington can consider any substantial assistance it will need to know more about Army's political views and intentions and Army's attitude toward US-Indonesian relations. Representative should add that in order obtain this information he understands we are attempting to set up political contact with Indonesian Army in Djakarta through our DCM.

**Rusk**

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**171. Telegram From the Embassy in Thailand to the Department of State<sup>1</sup>**

Bangkok, November 5, 1965, 1200Z.

920. Ref: A. Deptel 750;<sup>2</sup> B. Deptel 749;<sup>3</sup> C. Deptel 748.<sup>4</sup>

1. CAS Bangkok acting on authority contained para 1 Ref A conveyed the substance para 4 and 5 Ref B to General Sukendro on Novem-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret; Priority; Exdis. Repeated to Djakarta and CINCPAC for POLAD.

<sup>2</sup> In telegram 750, repeated to Bangkok and sent to Djakarta as 576, November 4, the Department of State informed the Embassy in Indonesia that it had authorized informing Sukendro that the United States was prepared to furnish medical supplies. (Ibid.)

<sup>3</sup> Document 170.

<sup>4</sup> Not found.

ber 5. The meeting was necessarily short in view of Sukendro's then pending departure for Rangoon. Sukendro was obviously pleased with the favorable response to his request on behalf of the Indonesian Army leadership. There ensued a discussion of the covert arrangements to be made for the Indonesian Army's ostensible purchase of the medicines and a review of the medical list by Sukendro's doctor, a Col. (Dr.) Achmad Soemantri. The revised list and proposed covert arrangements will be reported in CAS channels.

2. Although the guidance contained in the referenced messages was strictly adhered to, Sukendro specifically stated the Indonesian Army leadership does desire to pursue further in subsequent discussion here the possibility of covert limited provision of weapons and communications equipment. General Sukendro specifically asked, and it was felt unwise to question the propriety of his request, that there be further discussion in Bangkok on possible covert provision of additional limited covert assistance to the Indonesian Army.

3. Sukendro advised that Col. Firmansjah is to arrive in Bangkok early next week. He stated the Colonel is being sent here to discuss the Indonesian Army small arms requirement. (This had earlier been approached by Sukendro as reported para 5, CAS Bangkok 0256<sup>5</sup> and presumably has reference to para 4, Ref C.) He further stated police Colonel Soebianto is scheduled to arrive by the beginning of the week with the list of communications equipment needed by the army. There was no discussion of the planned arrival of these officers nor any discussion relative to assistance for the provision of communications equipment or weapons. It was felt best not to be drawn into a discussion of what we could or could not consider in terms of support beyond that presently approved. It was additionally believed unwise to attempt to discuss the propriety of further substantive discussions here in view of Sukendro's repeated statements that the army wishes to handle these matters here on a covert basis and security circumstances in Djakarta are not in their opinion conducive to working out details inherent in the provision of such support.

4. Sukendro will be returning from Rangoon on either 6 or 8 November in view of information which he had just received from his advance party in Rangoon to the effect that there is no additional rice available for export from Rangoon beyond that already committed for next year.

5. In view of Sukendro's apparent intention to pursue further the possibility of U.S. Government covert assistance in obtaining communi-

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<sup>5</sup> Not found.

cations equipment and small arms to arm Moslem and nationalist youths in Central Java for use against the PKI, we necessarily need more explicit guidance as to how this matter is to be handled here.<sup>6</sup> This is particularly important in view of Sukendro's early return to Bangkok and the fact that he will perforce be here for a very short period of time within which the basic arrangements will apparently need be made before his departure for Cairo. His present schedule will require his departure on about 10 or 11 November for Cairo. He stated that he plans to leave his senior aide here to work out the implementing details of any mutually agreed assistance.

6. Although circumstances did not permit a discussion in depth of the army's political views, intentions and attitudes toward Indonesian-U.S. relations the following impinges on this subject. When substance of guidance contained in para 5, Ref B conveyed to Sukendro he responded by stating that he fully appreciates the U.S. concern and need to have the earliest possible exposition of Indonesian Army policy on these subjects. He made it clear however that any discussion on this matter would in his opinion necessarily be academic at this point; that the army must of necessity first succeed in eliminating the PKI, Subandrio and all others in positions of leadership and authority who are responsible for the present Indonesian policy. He stated that until and unless the army succeeds in this, it is not possible to change or openly advocate a change in Indonesian foreign policy. He stated there is no question as to the army's desire to normalize relations and this will follow naturally and automatically with the elimination of these elements. Sukendro stated that he and others of his group have discussed their hopes and plans for Indonesia so often in the past and they are embarrassed to discuss this now in view of their obvious inability to take those actions.<sup>7</sup>

**Wilson**

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<sup>6</sup> In telegram 762 to Bangkok, November 6, the Department of State authorized meeting with Sukendro or his representatives at his initiative, listening to what he had to say and reporting to Washington. There was to be no implication of providing anything more than medical supplies already authorized, but the U.S. officials could ask questions to clarify any Indonesia requests for additional aid. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9) According to notes of the November 8 meeting of the Indonesia Working Group, this reply went out before comments of the Embassy in Djakarta were received. (Memorandum by Nuechterlein, November 8; Washington National Records Center; RG 330, OASD/ISA Files: FRC 70 A 5127, Indonesia 000.1, sensitive, 1965)

<sup>7</sup> In telegram 1353 from Djakarta, November 7, Green commented on telegram 920 from Bangkok with a reiteration of his views expressed in Document 165. As for communications equipment, he believed that low visibility equipment covertly provided would have maximum immediate utility to Indonesian armed forces. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON)

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**172. Memorandum Prepared in the Central Intelligence Agency<sup>1</sup>**

Washington, November 9, 1965.

**SUBJECT**

Covert Assistance to the Indonesian Armed Forces Leaders

1. The requests of the Indonesian military leaders for covert assistance in their struggle against the Partai Komunis Indonesia (PKI), create a definite risk for us of deliberate assistance to a group which cannot be considered a legal government nor yet a regime of proven reliability or longevity. Early assessment of the political direction and longevity of this military leadership must be accomplished and, before any overt or readily visible assistance could be offered, its legal authority as well as its de facto control must be confirmed explicitly. As long as Sukarno fights a clever rear-guard delaying action politically, this is not likely soon to occur.

2. On the other hand, the Army leaders appear determined to seize the opportunity of the current confused circumstances to break the organizational back of the PKI, to eliminate it as an effective political force, and to prevent emergence of any crypto-Communist successor party. Recent intelligence from within the PKI party ranks clearly indicates that the PKI has begun to abandon hope of salvation through Sukarno's political legerdemain and has therefore decided it must, however ill-prepared and disorganized, fight back against the Army. Despite the overwhelming military superiority of the Armed Forces, the roots of Communism, of PKI membership, and of mass support nurtured for years by the constant flood of pro-Communist media, are so deep in many areas that the Army is very likely to be faced with a lingering insurgency situation. Specifically, much of Central Java is in very poor shape. Hard intelligence on the area shows a sizeable potential for resistance, and PKI sources indicate plans for a redoubt area there. Considering the economic problems Army leaders will face as they gradually assume more and more authority under their own program for a non-Communist future, the law of rising expectations is against them; they cannot divert popular attention from economic ills as Sukarno has for many years, and the weight of several years neglect of economic problems and realities may fall upon them. Therefore if the PKI can build even small areas of resistance in Central Java and West Sumatra, they will have the ideal bases from which to mount campaigns of harassment, subversion and sabotage as the emergent

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<sup>1</sup> Source: Department of State, INR/IL Historical Files, Indonesia, 1963-1965. Secret.

non-Communist government attempts to grapple with responsibilities already close to overpowering.

3. In addition, the Army must find some formula for continuing its relationship with Sukarno in a way that will retain real control for themselves without necessitating a preemptive hostile move against Sukarno which might cause him to defy or deny them, and thus provoke divisions in their own ranks. In this insurgency situation therefore, the Army has no real guarantee of ultimate success; hazards to its survival are many and varied.

4. One of the Army's major needs will be civilian support. They have instituted psychological warfare mechanisms, control of media prerequisite to influencing public opinion and have harassed or halted Communist output. They have also mobilized certain bases of mass support, especially among Moslems. Unfortunately in these areas where the PKI has been able to initiate an insurgent campaign or local resistance, as in Central Java, the Army has not been able to protect those anti-Communist civilians who have fought the PKI and pro-Communist rebel troops. If this situation continues, the populace in some of these areas may be intimidated from affording aid to the government forces regardless of their convictions, or they will be decimated.

5. True, the future policy of the Indonesian Army if it should succeed in controlling or eliminating Sukarno as an effective factor is not entirely clear. Two probabilities do however seem fairly significant about its future stance:

a. It will certainly be less oriented towards Asian Communist Bloc and will be decidedly Nationalist (though not without some Marxist and anti-Western concepts), perhaps with a strong neutralist flavor and hopefully with a concentration upon Indonesia's internal welfare.

b. Its future attitude regarding the West and the U.S. in particular will certainly be affected favorably by the degree to which the U.S. can now provide what limited aid the military leaders feel they require in their struggle to survive.

6. In short, we must be mindful that in the past years we have often wondered when and if the Indonesian Army would ever move to halt the erosion of non-Communist political strength in Indonesia. Now that it has seized upon the fortuitous opportunity afforded by the PKI's error in the 30 September affair and is asking for covert help as well as understanding to accomplish that very task, we should avoid being too cynical about its motives and its self-interest, or too hesitant about the propriety of extending such assistance *provided* we can do so covertly, in a manner which will not embarrass them or embarrass our government.

7. In reviewing the types of assistance which can be provided covertly, we believe that mechanisms exist or can be diverted or created

to extend either covert credits for purchases or to deliver any of the types of the matériel requested to date in reasonable quantities. [1-1/2 lines of source text not declassified] The same can be said of purchasers and transfer agents for such items as small arms, medicine and other items requested. [1 line of source text not declassified] wherein we can permit the Indonesians with whom we are dealing to make desired purchases and even indicate to them where items may be purchased without our being in on the direct transaction. Some degree of control can be exercised through these accounts to insure that the letters of credit cannot be misused for other than specified purposes. [2-1/2 lines of source text not declassified] which can be made available on very short notice. [less than 1 line of source text not declassified] equipment would be more expensive and would require a little more time to deliver. It would however probably be more appropriate if equipment is to be handed by Indonesian Army officers to selected civilian auxiliaries.

8. We do not propose that the Indonesian Army be furnished such equipment at this time. This should be determined only after exhaustive conversations with Sukendro and his associates and, to the extent securely feasible, with Nasution's subordinates at Djakarta. In these we would probe for necessary details, e.g., precisely why they need additional arms, how they intend to use them, to whom they intend to give them, how they intend to control the release and registration of weapons and to control the groups who receive them, and many other questions.

9. If the Indonesian Army leadership continues to insist to us that they need this type of assistance to crush the PKI, and even if they furnish the above details, we would still be incurring political risk and the possible risk of loose handling of the arms in satisfying the request. These risks, however, must be weighed against the greater risks that failure to provide such aid which the Army claims it needs to win over the PKI might result in reduction of the Army's future political position and concomitant erosion of what may be a unique opportunity to ensure a better future for U.S. interests in Indonesia. It is difficult to predict definitively that aid of this type is absolutely vital to that future. If the Army leaders justify their needs in detail, however, it is likely that at least will help ensure their success and provide the basis for future collaboration with the U.S. The means for covert implementation, either of transmittal of funds for necessary purchases or delivery of the requested items themselves in discreet fashion, are within our capabilities.



**173. Telegram From the Embassy in Thailand to the Department of State<sup>1</sup>**

Bangkok, November 11, 1965, 0614Z.

951. Ref: A. Djakarta's 1353 to SecState, 120 to Bangkok;<sup>2</sup> B. Deptel 762 to Bangkok, 585 to Djakarta.<sup>3</sup>

1. *[less than 1 line of source text not declassified]* 10 November met with General Sukendro at latter's request. This meeting immediately preceded Sukendro's departure for meeting with Malaysian Permanent Secretary of the Ministry of Foreign Affairs Dato Ghazali and Sukendro's subsequent departure for Cairo.

2. Implementation details for the covert provision of the medicines per Deptel 750<sup>4</sup> and our Embtel 920 to Washington and 63 to Djakarta<sup>5</sup> were reviewed with Sukendro at this time to insure the latter's full understanding and approval of the arrangements being made with Sukendro's designee—Col. (Dr.) Achmad Soemantri. As earlier noted Soemantri has been ordered by Sukendro to remain in Bangkok to act as his liaison officer to work out the details for the covert implementation of medical agreement. Sukendro continues, of course, to be quite pleased with the expeditious and favorable responses to the Indonesian Army's request for covert medical assistance. He stated he has reported to Generals Nasution and Suharto that arrangements were being made for the early delivery of the requested medicines. He has additionally reported in his capacity as head of the purchasing mission to President Sukarno on the arrangements for the purchase of rice and medicines. Naturally the latter report is on the basis of this being a straight commercial transaction negotiated by his mission.

3. Sukendro again referred to the army's urgent need for communications equipment. He specifically requested that arrangements be made for the covert procurement and provision to the Indonesian army of a limited amount of commercially available communications equipment. He noted that the army while hoping and working for the best must nevertheless be prepared for the worst. Despite that which has been accomplished in the past five–six weeks in crushing the PCD, he believes the army has a long way to go.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–9 INDON. Secret; Priority; Exdis. Repeated to Djakarta and CINCPAC for POLAD.

<sup>2</sup> See footnote 6, Document 171.

<sup>3</sup> See footnote 5, Document 171.

<sup>4</sup> See footnote 2, Document 171.

<sup>5</sup> Document 171.

4. Sukendro identified essentially three basic communications requirements. He cited two as being particularly urgent and requested US Government covert assistance in bridging what the army considers a serious communications gap. He stated the senior army leaders in the Djakarta area have no voice radio communications facilities. The army leaders need portable voice equipment to provide communications from one to the other and to perhaps two of the military units in the Djakarta area. They have in mind perhaps a dozen sets which would be assigned to Nasution, Suharto, Umar, Sukendro and other senior military leaders plus the Para Commando Unit and possibly one of the guard battalions in the metropolitan area.

5. The second requirement specifically identified by Sukendro as a significant gap in Indonesian army communications has to do with the establishment of an army voice circuit based in Djakarta and connecting the army commands at Medan, Palembang, Bandung, Semarang, Surabaya, Makassar and Bandjermasin. Security conditions permitting, they will probably want to position another set at Jogdjakarta and possibly one other principal command location. Sukendro noted the army has no long range voice communication net. The intent here is to establish a controlled quick-reaction emergency backup to the existing army CW system and commercial telephone and telegraph. Sukendro stated the deficiencies in voice communications equipment available to the army has been further aggravated by destruction of communications equipment in the course of the 30 September incident and subsequent actions.

6. He stated the army's experiences since 30 September have made them acutely aware of the inadequacies of the communications facilities presently available to them. The senior army leaders feel particularly exposed by their lack of voice communications for their personal protection, particularly in the Djakarta area. Hence the request in para 4 above. They believe in a fast moving, fluid situation such as they are now confronted with, their ability to talk immediately to the commander on the spot could be of tremendous assistance. In emergencies they recognized that time often does not permit the use of CW and the telephone system is both vulnerable and unreliable.

7. The third communications area of concern to the Indonesian Army leadership is in the area of more effective communications on the tactical unit level in the Central Java area. This problem is the subject of a staff study by Col. Soebianto in Djakarta. Soebianto however was not able to get to Bangkok prior to Sukendro's departure. Sukendro did not pursue this problem area other than to make passing reference. He specifically identified their request for equipment as having to do with the requirements set forth above. He neither stated nor implied that there would be a subsequent request for support in addition to that noted in the preceding paragraphs.

8. The army does not have funds available to purchase this equipment. If the decision is made to accede to their request it will necessarily have to be on the basis of covert procurement and delivery [*less than 1 line of source text not declassified*] from which point Sukendro assures the army's capability to receive and arrange onward movement to Indonesia. Sukendro stated this will not present a problem for the army. Presupposing that the equipment is sterile and commercially available the army does not believe this would present a problem of security or potential embarrassment given the requirements as identified above.

We suggest consideration might be given to the covert procurement of commercially available stock items as set forth in our immediately following telegram.<sup>6</sup> The estimated cost of these units which are believed to be fully adequate to the requirement and would additionally provide a CW as well as voice communications capability, would be approximately \$40,000. Gen. Sukendro's liaison officer is locally available to follow through on this request as appropriate.<sup>7</sup>

**Wilson**

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<sup>6</sup> Telegram 952 from Bangkok, November 11. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON)

<sup>7</sup> In telegram 1427 from Djakarta, November 12, the Embassy strongly recommended providing this communications equipment on the grounds that it was "critical in current, delicately balanced struggle between Army and Sukarno and cohorts." The Embassy added that the importance of the equipment to the Army far outweighed its "relatively minor costs." (Ibid., POL INDON-US) In telegram 373 to Canberra, November 12, sent also to Djakarta, London, Wellington, and New Zealand, the Department reported that Berger had informed the Australian, New Zealand, and British Embassies that the United States had agreed to send \$100,000 of medical supplies and was seriously considering giving the Indonesian Army Command \$50,000 worth of commercial communications equipment. (Ibid., DEF US-INDON)

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#### **174. Telegram From the Consulate in Medan to the Department of State<sup>1</sup>**

Medan, Indonesia, November 16, 1965, 0115Z.

65. 1. Two officers of Pemuda Pantjasila separately told Consulate officers that their organization intends kill every PKI member they

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Confidential. Repeated to Djakarta.

can catch. November 14 Secretary Medan City Pemuda Pantjasila said policy his organization is to ignore public calls for calm and order by Sukarno and other leaders. He stated Pemuda Pantjasila will not hand over captured PKI to authorities until they are dead or near death. He estimated it will take five years to eradicate all PKI. Similar statements were made few days earlier by leader North Sumatra cultural arm of Pemuda Pantjasila.

2. *[less than 1 line of source text not declassified]* sources indicate that much indiscriminate killing is taking place (FNM-1516).<sup>2</sup> *[less than 1 line of source text not declassified]* Consulate sources have connected some of this violence with declaration "holy war" against PKI by local Moslem leaders. While press has carried relatively little on such violence, November 10 newspapers carried account of "revolutionary youth" cornering and beating to death PKI member North Sumatra legislature.

3. Press has also in recent days carried reports of five mutilated bodies discovered in Medan streets. PKI terrorists blamed. Commenting on these reports, above sources stated it is press policy to play up deaths of anti-Communists in order justify attacks on PKI members.

4. Same sources indicate strong hostility toward PNI and expressed determination "clean up" that organization.

5. Secretary Medan Pemuda Pantjasila at one point said bitterly that only way solve Indonesia's problems is to shoot dead both Subandrio and Sukarno. His companion agreed. Other Pemuda Pantjasila leader said on separate occasion that if Sukarno refuses ban PKI he likely be overthrown. Comments by other Consulate sources suggest growing hostility toward Sukarno generated by his evident reluctance ban PKI. Worth noting that Medan press to date has carried no word of Sukarno's recent attacks on U.S.

6. *Comment:*

(A.) Attitude Pemuda Pantjasila leaders can only be described as bloodthirsty. While reports of wholesale killings may be greatly exaggerated, number and frequency such reports plus attitude of youth leaders suggests that something like real reign of terror against PKI is taking place. This terror is not discriminating very carefully between PKI leaders and ordinary PKI members with no ideological bond to the party. FNM-1515<sup>2</sup> suggests that army itself is officially adopting extreme measures against PKI with plans to put many thousands in concentration camps.

(B.) PNI was out in force on both November 9, when they presented statement to General Mokoginta, and on November 10 heroes

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<sup>2</sup> Not further identified.

day celebration. PNI avoided endorsement of demand for ban on PKI on both occasions. PNI remains large and apparently strong here and there is real possibility of violence between PNI and militant anti-Communist groups. (Pemuda Pantjasila and PNI youth clashed briefly on November 2, and Pemuda Pantjasila members reportedly carried knives and clubs to November 10 mass meeting in anticipation of clash with PNI.)

Heavner

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### 175. Memorandum Prepared for the 303 Committee<sup>1</sup>

Washington, November 17, 1965.

#### SUBJECT

Supply of Communications Equipment to Key Anti-Communist Indonesian Army Leaders

#### 1. Summary

The purpose of this operational proposal is to assure that certain key anti-Communist Indonesian Army leaders will have adequate communications equipment for use in their fight against the Communist insurgents. Such equipment is in insufficient supply in Indonesia. This lack has, in consequence, imperiled the personal security of important anti-Communist Army leaders and has jeopardized their effectiveness in combating the Communists' efforts to eliminate non-Communist influence favorable to us in their Government.

This request for equipment by several leading Indonesian officials has the support of the U.S. Ambassador to Indonesia and is concurred in by the State Department's Bureau of Far Eastern Affairs.

There are some risks in the delivery of this equipment, but [1 line of source text not declassified] with proper precautions in making deliveries to the ultimate recipients will minimize such risks. The Indonesians cannot now ostensibly nor actually purchase this equipment in the U.S. without exception being made to U.S. export license controls, thereby implying U.S. Government collusion. Any exposure of this activity would embarrass not only the U.S. Government, but certain

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<sup>1</sup> Source: National Security Council, Special Group/303 Committee Files, Subject Files, Indonesia. Secret; Eyes Only.

high Army officials in the Indonesian Government. Much care will be taken in this regard.

The cost of the requested equipment is approximately [*less than 1 line of source text not declassified*]. The supplies themselves come to [*less than 1 line of source text not declassified*] will be required to package and ship.

On 5 November 1965 the 303 Committee approved a similar request to send medical supplies to Indonesia.<sup>2</sup> This operation is proceeding on an urgent basis. It is hoped that the 303 Committee will approve the above program, which it is expected will proceed with the same urgency.

## 2. Problem

The immediate need is to provide on an urgent basis the present Indonesian Army leadership with secure voice and CW communications. Such equipment will provide a continuity of communications among the various Army units and their anti-Communist leaders and between certain of these leaders and U.S. elements. Given the uncertain loyalties within various Army commands and within Army communications proponents, existing communications equipment cannot be relied on to satisfy this need.

## 3. Factors Bearing on the Problem

On 13 October 1965, [*less than 1 line of source text not declassified*] were furnished from [*less than 1 line of source text not declassified*] stocks for use of the guards protecting Nasution and other key Army officers. The continuing insufficiency of this equipment in the hands of leading anti-Communist Army leaders has imperiled their own personal security and could make it difficult for them in a crisis to communicate securely with each other and/or with the U.S. A [*less than 1 line of source text not declassified*] communications expert surveyed the needs in late October in conjunction with the Djakarta country team. The Indonesian Army does not have funds to purchase the equipment but asks that it be given to them covertly and as rapidly as possible.

### a. Origin of the Requirement

The various requirements for communications equipment came [*less than 1 line of source text not declassified*] from the U.S. Ambassador to Indonesia, from the Minister of Defense Nasution's aide, and from General Sukendro.

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<sup>2</sup> See footnote 1, Document 170.

*b. Pertinent U.S. Policy Considerations*

On 5 November 1965 the 303 Committee approved an operational proposal for Indonesia responding to a request for medical supplies.

*c. Operational Objectives*

A covert contact [*less than 1 line of source text not declassified*] must be maintained with certain Indonesian Army leaders who also require additional means of communicating securely among their own components in their struggle with the Communists. In the confused situation of conflicting loyalties in the Indonesian scene today, the security and personal safety of the leading anti-Communist leaders and safety of their families from intimidation and kidnapping, is of vital importance to their continuance of the struggle to prevent any return to the status quo before the 30 September coup. The possible assassination of Nasution, Suharto, Umar or a number of other generals would constitute serious setbacks for the U.S. Furthermore, in order to coordinate planning with trusted subordinates, they must have private communication facilities, frequently out of direct channels, in order to be really secure. There is equipment available within the Indonesian Army units for routine communications but recent events have shown clearly that not everyone, even in high ranks of the Indonesian Armed Forces, can be relied on to be loyal to, or even sympathetic with, the desires of Nasution and Suharto to crush the PKI, especially if in virtual defiance of Sukarno.

*d. Equipment*

[*6 paragraphs (13 lines of source text) not declassified*]

*e. Risks Involved*

Any publicity on this operational program would be highly embarrassing both to the U.S. Government and to the Indonesian Army leadership. Extreme care will be taken in all aspects of this operation, especially that pertaining to shipment of the requested equipment. [*4 lines of source text not declassified*] A covert delivery procedure has been devised to the ultimate Indonesian recipient.

*f. Training*

A qualified and senior Army communications officer, designated by Sukendro, would be provided [*less than 1 line of source text not declassified*] with special covert training at a safe site in use of the equipment. He would be required to bring with him the following necessary data: details of the several proposed net patterns, including locations of components and general concept of operations for the net; the frequencies between 45 and 52 megacycles which could be used in Indonesia (to afford maximum security from local monitoring) so that, based upon these specifications, our communicator would be able to

tune the equipment to the desired frequencies and provide advice concerning a secure signal plan and communications procedures.

*g. Funding*

The overall cost is estimated at [less than 1 line of source text not declassified]. The equipment itself will be approximately [less than 1 line of source text not declassified] for shipping and packaging.

*4. Coordination*

This operational proposal has been recommended by the U.S. Ambassador to Indonesia and has been concurred in by the State Department's Bureau of Far Eastern Affairs.

*5. Recommendation*

That the 303 Committee approve this program.<sup>3</sup>

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<sup>3</sup> At the November 19 meeting of the 303 Committee, the members believed that assistance was "highly desirable," but McGeorge Bundy thought that "the provision of this support on as non-attributable basis as possible was far more essential than simple speed of delivery." He requested that a search be made to see if Japanese or U.S. surplus equipment were available, rather than the latest U.S. equipment. Colby agreed to try, but if other sources were not available, the matter would be referred to the Committee again. (National Security Council, Special Group/303 Committee Files, Minutes, 11/19/65) At the December 17 meeting, Colby reported that CIA had located and purchased equipment similar to that already provided and thus solved the problem of attribution. (Ibid., 12/17/65)

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## **176. Intelligence Memorandum<sup>1</sup>**

OCI No. 2942/65

Washington, November 18, 1965.

### **POSSIBLE DEVELOPMENTS IN INDONESIA'S CONFRONTATION OF MALAYSIA**

*Summary*

A major source of instability in Southeast Asia has been Indonesia's "confrontation" of Malaysia which began in early 1963. Following the change of political climate in Djakarta, there has been speculation that

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VI, 11/65-5/66. Secret; No Foreign Dissem; Background Use Only. Prepared in the Office of Current Intelligence, Central Intelligence Agency.



the Indonesian army might bring an end to confrontation. It is unlikely, however, that the army because of the political liabilities involved and its own anti-Malaysia orientation, is now ready to take such action. In the near future military activity against Malaysia, already at a low level, should not be significantly affected by the Indonesian upheaval.

1. Although there was a massive Indonesian buildup along the Borneo border and in Sumatra, beginning last December and largely completed by May, military activity directed against Malaysia has declined during the past six months. With few exceptions, only routine patrolling and minor probing action has taken place along the Borneo border. The last Indonesian attempt to infiltrate an armed guerrilla unit into the Malayan peninsula occurred last March. Indonesian planning for demolition sabotage against the Malayan peninsula has continued but implementation has been limited. During the past two months there has been only one explosion attributed to an Indonesian agent.

2. This lag in Indonesian activity has resulted in large part from the almost total lack of success the Indonesians have had in their past operations in Borneo and in the Malayan peninsula. In Borneo, effective British cross-border operations have disrupted Indonesian planning and have placed the approximately 17,000 Indonesian troops in the area on the defensive. Since August 1963, when Indonesian infiltration attempts against Malaya began, British and Malaysian security forces have captured or killed over 500 of the nearly 700 Indonesian guerrillas involved in these unsuccessful efforts.

3. Several recent reports have indicated that the Indonesian army now intends to reach a *modus vivendi* with Malaysia. However, there is reason to doubt whether the army favors an end to confrontation. While opposed to many of Sukarno's internal policies and his fostering of Communist influence, the army in the past has accepted enthusiastically Sukarno's expansionist policies and has apparently been convinced that Malaysia is a British scheme aimed against Indonesia. A good example of the army's somewhat naive international view is the lingering and apparently sincere belief among the army leadership that the British, as well as Communist China, played a role in instigating the "30 September" plot against the army.

4. If the army eventually becomes the ruling force in Indonesia it will inherit a number of pressing economic and social problems compounded by the current unrest. In the past Sukarno made use of foreign adventures and international issues to divert attention from these problems. The army could conceivably feel the need to borrow a page from Sukarno and re-emphasize confrontation.

5. Even should the army want to end confrontation, it would be difficult for it to move in this direction in the near future. After two years of anti-Malaysian propaganda, the average Indonesian considers

confrontation a patriotic duty. Even a hint of a conciliatory army position toward "neocolonialist" Malaysia would give Sukarno the ammunition he needs to undermine the army's attempts to maintain its present political initiative.

6. Although, for the above reasons, an early end to confrontation seems unlikely, military activity against Malaysia is likely to remain at a low ebb while the army is deeply involved in political maneuvering and suppression of the Communist Party. The current level of confrontation activity does not require the large numbers of troops now deployed around the periphery of Malaysia. One brigade of troops has recently been returned from the confrontation theater to the now critical areas of Central and East Java, and other similar redeployments can be expected.

7. Malaysian leaders, in recent statements, have indicated they have little hope for a settlement with Indonesia in the near future. However, a new generation of political leadership, more nationalistic, parochially Malay and anti-Chinese in outlook, is now emerging in Kuala Lumpur. If an Indonesia emerges in which Communist influence has been muzzled, Sukarno has been ousted from real power and more moderate leadership prevails, Kuala Lumpur, anxious to present a more "Afro-Asian" image, will be eager for an accommodation with its "Malay brothers" to the south and might take the lead in seeking a settlement.

8. The new nation of Singapore would look with disfavor upon a sudden normalization of relations between Malaysia and Indonesia which would also bring the elimination or reduction of British military presence in the area. Prime Minister Lee Kuan Yew, noting the current anti-Chinese activity in Indonesia, has already expressed alarm over the prospects of a Malay "encirclement" of Chinese Singapore.

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**177. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, November 19, 1965, 1135Z.

1511. 1. We believe that US and allies should be extremely cautious about offering help to General[s?] at this time. In any case, our help should be contingent upon whether we believe army really intends to

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, DEF 6 INDON. Secret; Exdis. Repeated to London.

remain firm against Sukarno/Subandrio. There are conflicting indications as to whether army will remain firm or whether it will bow gradually to President's will. In view of Indo tendency to procrastinate and avoid hard decisions, we should take care lest premature, unconditional offers of assistance strengthen army tendency to avoid facing issues. Above all we should not provide assistance that will redound to benefit of Sukarno who remains head of state and govt. At present time, army would seem to be in general agreement with above approach (see Embtel 1479 reporting my latest conversation with Saito).<sup>2</sup>

2. At present there is conflicting evidence as to whether, when and how army will move against Sukarno. As long as Sukarno retains power army and anti-Communist will probably be inclined to maintain "anti-imperialist" and "anti-colonial" policy which has corollaries of continued confrontation of Malaysia and anti-Western posture generally (although viciousness of anti-US propaganda may be reduced as long as army can continue to exercise balance to Sukarno). We also foresee continued and probably increasing chaos as result of impasse between Sukarno and army that makes any kind of economic development program absurd unless and until one or other is eliminated entirely as political force.

3. Although US prospects may be better in long run (post Sukarno), we do not foresee any great improvement in US position in short run even if army can hold on as half of sort of triumvirate power structure. Furthermore, Sukarno counterattacks to regain his former power (or, ultimately, even more) will undoubtedly make use of anti-US themes. We have already seen evidence of this in President's 150 million rupiah charge.<sup>3</sup>

4. Accordingly, we recommend following line to be advanced at prospective meeting (and as basic US position):

A. We take no steps that would enhance Sukarno–Subandrio image whether desired by Indo Army or not.

B. We should not provide any significant economic assistance to Indo Army unless and until we know where they are going politically and economically. (Carefully placed assistance which will help army cope with PKI actions different.)

C. We should consider assistance to genuinely non-Communist government if there is altered atmosphere in which such assistance could be effective.

D. In discussing requests for assistance with Indo groups or third countries, we would do well to mention Sukarno's condemnation of

<sup>2</sup> Dated November 17. (Ibid., AID (JAPAN) INDON)

<sup>3</sup> In a speech to the Cabinet on November 6, Sukarno charged that former Ambassador to Indonesia Howard Jones gave a "certain Indonesian" 150 million rupiahs for the purpose of "spreading the Free World ideology in Indonesia." (Airgram 331 from Jakarta, November 16; *ibid.*, POL 2-1 INDON)

US aid and unfounded charges of US subversion, as well as lack of evidence that Indonesia prepared to make most effective use of outside assistance.

Green

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## 178. Intelligence Memorandum<sup>1</sup>

OCI No. 2943/65

Washington, November 22, 1965.

### INDONESIAN ARMY ATTITUDES TOWARD COMMUNISM<sup>2</sup>

1. For six weeks the Indonesian Army has been engaged in a major campaign against the Communist Party of Indonesia (PKI). Party members and sympathizers are being rounded up and interned by the military; others are being purged from local government positions; and in Central Java PKI adherents are reported to be shot on sight by the army. The army has risked much of its prestige and political future on this campaign. It wants to ban the PKI and to cripple the party permanently, but its attitude toward Marxism is far more complicated than simple anti-Communism.

2. The army has a long record of opposition to the PKI as a political force. In addition, some army leaders undoubtedly view Communism as an ideology which is essentially evil, totalitarian, and alien to the "Indonesian way of life." But this view is by no means universal. Army officers and enlisted personnel, like Indonesians in all other walks of life, have for the past several years been subjected to a fairly constant barrage of pro-Communist propaganda. This propaganda, echoed and often initiated by President Sukarno, has had its effect. While some

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VI, 11/65-5/66. Secret; No Foreign Dissem; Background Use Only. Prepared by the Office of Current Intelligence, Central Intelligence Agency.

<sup>2</sup> The Office of Current Intelligence prepared related intelligence memoranda including: OCI No. 2940/65, November 8, a biographic assessment of Suharto and analysis of his role during and after the September 30 coup; OCI No. 3041/65, November 12, entitled "The Indonesian Army: Objectives and Problems"; OCI No. 2395/65, November 17, examining the Army's concern about the rice situation in Indonesia; and OCI No. 3096/65, December 2, which examined the "Leadership Prospects in Indonesia" and concluded that Sukarno would remain chief of state with the army playing a strong national political role for the foreseeable future. (All *ibid.*, Vol. V, 10/65-11/65 and Vol. VI, 11/65-5/66)

army officers' beliefs are firmly rooted in a fundamentalist and essentially anti-Communist Moslem tradition, many others, particularly in the lower ranks, equally firmly consider themselves to be Marxist socialists. Nearly all army leaders, however, are united in regarding the PKI as a rival for power within Indonesia. They are at present engaged in a power struggle, not an ideological struggle, with the party.

3. A well-placed army source recently told the US Embassy that the army was anti-Chinese and anti-PKI, but not anti-Communist. This is a good capsule summary of the military's position, for clearly a large segment of the army is by no means opposed to Marxism *per se*. Indeed, officially the army gives full assent to the frequently stated proposition that the Indonesian revolution is a socialist revolution. Probably few army leaders would oppose some sort of state-controlled Marxist party, even one calling itself Communist, if this party were clearly nationalistic—that is, wholly oriented toward Indonesian national interests. The Yugoslav model is instructive in this regard.

4. The army leadership at present finds itself opposed to the PKI on a variety of grounds. First, the murder of a number of high-ranking officers in the course of the insurrection on 1 October has made it clear to the army leadership that its very survival may be at stake in the present struggle. Second, the PKI, with its high degree of political motivation and discipline, has developed an independent power structure that is not necessarily responsive to the organs of government. Finally, the army believes the PKI's ties to Peking make it in effect the agent of a foreign power. For all these reasons the army finds the PKI a threat to its own power position. But it also finds in these factors useful arguments in the propaganda war it is now waging against the PKI. It is claiming the party is out of phase with Indonesian ideals and a "traitor" to the Indonesian revolution, and is emphasizing Chinese Communist involvement in the 1 October uprising. This last argument is particularly effective, given the Indonesians' general antipathy to the numerous Chinese merchants living in their midst.

5. In pressing this campaign against the PKI, however, the army has had to tread a delicate path with respect to President Sukarno, who is not only emotionally committed to Marxism, but is also convinced that the PKI, with its high degree of discipline, is a unifying factor on the Indonesian political scene, where centrifugal forces have plagued the government from its inception. In addition, the army must consider Moscow's attitude. The Indonesian military establishment is almost totally Soviet-supplied, and the army is well aware of its dependence on the Soviet Union for spare parts, replacements, and ammunition.

6. Whatever its feelings about Peking, the army certainly wants no break with Moscow. It has been careful to exclude the Soviet Union

from its recent denunciations of the PKI and of the Chinese Communists. A recent report suggests that Defense Minister Nasution has worked out an understanding with the Soviets whereby Soviet arms would continue to reach Indonesia while the army attempted to eradicate pro-Chinese influence within the PKI. Nasution is said to have promised that Indonesia would adopt neither a policy of hostility to Communism as an ideology at home nor to the Soviet Union and its satellites in international affairs. Such an understanding, either formal or informal, seems likely, although it is probable that the Soviets would also be willing to assure Sukarno that relations with Indonesia would remain firm should he, rather than the army, emerge the victor in the present tug-of-war.

7. Moscow has been playing the recent events in Indonesia in a low key in its current propaganda. It has been making the minimum noises necessary when Communist Party members are being harried and shot by government forces—criticism far milder, for example, than that directed at Iraq in 1963 when similar conditions obtained in that country. Arms deliveries have continued to reach Indonesia without interruption over the past six weeks. There is no indication that they will be cut off.

8. Nasution is reported to have told Sukarno of his arrangement with the Soviets. He undoubtedly hopes to cut the ground from under any potential Sukarno allegation that the army, in its anti-PKI campaign, is exhibiting reactionary tendencies and is tied to "neocolonialism." The army leaders may also feel that continued evidence of Soviet good will, as expressed in uninterrupted arms shipments, may infuriate the Chinese Communists and lead to recriminations that the army could then use to advantage in its attempt to orient Indonesia away from Peking.

9. The embassy suggests that in reaching an understanding with the Soviets on the arms shipment question the army may leave itself open to Soviet pressure to resuscitate the PKI along pro-Moscow lines. While this is possible, it is by no means likely. The army would not be happy at the appearance of a revived Communist Party with strong ties to a foreign power, even if this power were Moscow rather than Peking. Furthermore, it is likely that the Soviets themselves do not particularly wish to become entangled in the thickets of Indonesian politics. They have before them the clear example of Peking's involvement in this manner—an involvement which has led to a diminution of Chinese influence in Indonesia. Moscow is primarily interested in close government-to-government relations with the Indonesians, and may well feel that its virtual arms-supply monopoly affords it greater influence on Indonesian policies than would a Moscow-oriented PKI, which the army may at some future date come to consider to be as great

a threat to it as it does the present party. Government-to-government relations supplemented by the leverage of continued arms shipments and the training of middle-grade Indonesian officers in the USSR, gives the Soviets the same sort of influence they enjoy in Egypt.

10. Indeed, even the rehabilitation of the PKI as a “national Communist party” would prove difficult in present circumstances. While the army might have no ideological difficulties in accepting such a party, it has the present PKI on the run and almost certainly would like to destroy the party’s organizational structure while it has the chance. It has made no attempt to cultivate the less militant element of the PKI that might be expected to form the core of a new party. In practice it has made no distinction between those elements directly involved in the 1 October insurrection and other “safer” party members when making arrests and purging local government machinery. Moreover, the PKI, like other traditional Communist parties, is organized from the top down, and its members are inclined to follow the lead of its constituted leadership. These leaders have international considerations as well as Indonesian interests in mind, and if forced underground would probably take a large portion of the more dedicated rank-and-file with them. On the other hand, the PKI has a strong nationalist coloration, and some lower level party members may eventually be induced to join a tame, government-organized and sponsored party professing Marxism. The army would, however, attempt to see that such a party did not have a real voice in governmental policy making.

11. Even a development along this line, however, presupposes a victory for the army in its present attempt to influence Sukarno to accept its view of the PKI as a threat to the Indonesian state. This outcome is by no means certain; the army may yet be outmaneuvered by the politically astute President. In the end, the army may be forced by Sukarno to acquiesce in a rehabilitation of the PKI, or to accept the party almost whole but reconstituted under a different name. For that which worries the army most—the PKI’s tight organizational structure—is precisely what makes it so attractive to Sukarno. And while it is true that the army has gone further in present circumstances in pursuing its own ends, it has retreated in the face of presidential pressure before and may do so again.

12. Whatever the outcome of the present scramble for power, it is unlikely that there will be a major change in Indonesian foreign policy. Should the army emerge on top, Indonesian policies would probably be more genuinely neutral in balancing between East and West, and the tendency to follow Peking’s lead in international affairs certainly would be reduced. However, no break with Moscow is in the cards, and the army would find it difficult to extricate itself from present foreign policy attitudes to reach a genuine rapprochement with the

West. In part this is true because the army itself believes these policies to be correct, and in part because to reach an accommodation with the West would expose the army leaders to charges of "selling out to the neocolonialists" from leftist Indonesian elements independent of the PKI. Specifically, the army is deeply involved in confrontation with Malaysia and, despite some indications that its leaders are having second thoughts about this policy, it is unlikely that they can stand down on confrontation without a considerable loss of face. Furthermore, the army leadership, like Sukarno, would probably find confrontation a useful symbol around which to unify the many divisive forces at work in the archipelago.

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**179. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, December 2, 1965.

1628. For Assist. Sec. Bundy from Amb Green. Ref: Deptel 708, Dec 1, 1965.<sup>2</sup>

1. This is to confirm my earlier concurrence that we provide Malik with fifty million rupiahs requested by him for the activities of the Kap-Gestapu movement. *[1-1/2 lines of source text not declassified]*

2. The Kap-Gestapu activities to date have been important factor in the army's program, and judging from results, I would say highly successful. This army-inspired but civilian-staffed action group is still carrying burden of current repressive efforts targeted against PKI, particularly in Central Java.

A. Malik is not in charge of the Kap-Gestapu movement. He is, however, one of the key civilian advisers and promoters of the movement. There is no doubt whatsoever that Kap-Gestapu's activity is fully

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<sup>1</sup> Source: Department of State, INR/IL Historical Files, Indonesia, 1963-1965. Secret; Priority; Roger Channel; Special Handling.

<sup>2</sup> *[text not declassified]* (Ibid.)



consonant with and coordinated by the army. We have had substantial intelligence reporting to support this.

B. I view this contribution as a means of enhancing Malik's position within the movement. As one of the key civilians, he is responsible for finding funds to finance its activities. Without our contribution Kap-Gestapu will of course continue. On the other hand, there is no doubt that they need money. The latter, despite inflation, is in tight supply, and the comparatively small sum proposed will help considerably.

C. *[1-1/2 lines of source text not declassified]* Our willingness to assist him in this manner will, I think, represent in Malik's mind our endorsement of his present role in the army's anti-PKI efforts, and will promote good cooperating relations between him and army.

D. The chances of detection or subsequent revelation of our support in this instance are as minimal as any black bag operation can be. *[2 lines of source text not declassified]*

**Green**

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**180. Memorandum From the Chief, Far East Division, Directorate of Operations, Central Intelligence Agency (Colby) to the Assistant Secretary of State for Far Eastern Affairs (Bundy)**

Washington, December 3, 1965.

[Source: Central Intelligence Agency, DDO Files: Job 78-00061R, Indonesia 2/2—State Department Liaison (1959–1966); Secret. 4 pages of source text not declassified.]

**181. Memorandum From the Deputy Director for Coordination,  
Bureau of Intelligence and Research (Koren) to the Director  
(Hughes)<sup>1</sup>**

Washington, December 4, 1965.

SUBJECT

Mr. Berger's Meeting with Mr. Colby, December 4, 1965

PARTICIPANTS

Messrs. Berger, Cuthell and Moore for FE  
Messrs. Colby, [names not declassified] for CIA  
Messrs. Cooper and Thomson for WH  
Mr. Stuart for INR/DDC

*Indonesia*

The meeting was called for the purpose of discussing the latest developments in the project to supply medicines and medical equipment to the Indonesian Army [less than 1 line of source text not declassified]. Attached at Tab A is a lengthy report of conversations between [less than 1 line of source text not declassified] and [less than 1 line of source text not declassified] which were held in [less than 1 line of source text not declassified] on December 1 and 2.<sup>2</sup> At Tab B is a short paper suggesting alternative methods for providing medicines and medical equipment to the Indonesian Army.<sup>3</sup>

Mr. Berger said that as a result of his reading of the conversations with [less than 1 line of source text not declassified] he had come to the conclusion that the Department and perhaps CIA too had been "conned" into taking on this project. It was perfectly obvious that Nasution knew nothing of the financial arrangements that were to have been made as cover for the project, despite the Department's insistence that he be advised. It was clear that Sukarno had sent Sukendro out to get medicine, but hadn't given him any money. Did this mean that Sukarno was merely trying to get rid of Sukendro and had no idea that the latter would take his supposed mission seriously? There was also the possibility that this whole project was a provocation. Instead of considering alternative methods of getting medicines to the Indonesian Army, what we ought to be considering was how to drop the project. Mr. Colby attempted to counter all of these assertions, but was hampered

<sup>1</sup> Source: Department of State, INR/IL Files, Indonesia, 1963-1965. Secret. Also sent to Denny and Evans. Drafted by Koren on December 8.

<sup>2</sup> Not printed. (FE-239; *ibid.*)

<sup>3</sup> Dated December 3. (*Ibid.*)

somewhat by necessity of arguing on policy rather than on intelligence grounds. He cited a number of times our need to show the Indonesian Army that we supported them in their campaign against the PKI, *[less than 1 line of source text not declassified]*. In addition, the Army really needed the medicines. We didn't know but what a civil war was in the offing in Indonesia. The Indonesians needed to know who their friends were.

Mr. Cuthell said it was quite obvious that the Indonesian Government could scrape up a half million dollars easily if they really believed the medicines were necessary. He cited the fact that the Indonesian Navy was buying two Aero Commander planes at a cost of 575 thousand dollars, and that DC-8s which would cost 50 million dollars were also on order.

At this point Mr. Colby found support from unexpected quarters. Mr. Cooper, backed by Mr. Thomson, argued the necessity of indicating approval in a practical way of the actions of the Indonesian Army. The *[less than 1 line of source text not declassified]* that the medicines would cost was a mere pittance compared with the advantages that might accrue to the US as a result of "getting in on the ground floor." Mr. Thomson added that he believed that the request by Sukendro offered us an unparalleled opportunity to give an earnest of our intentions toward an Indonesia in which a moderate army leadership held the balance of power.

*[2 paragraphs (16-1/2 lines of source text) not declassified]*

After considerable further discussion it was agreed on suggestion of Mr. Cuthell that we probably had to go through with this project only because it had gone beyond recall. Mr. Berger insisted, however, that nothing further be done until *[less than 1 line of source text not declassified]* a detailed step-by-step plan for covering the extension of the line of credit *[less than 1 line of source text not declassified]*, and had submitted that plan for the Department's approval. Indicating that there was some urgency about getting the matter settled, since *[less than 1 line of source text not declassified]* was shuttling about various European capitals with considerable rapidity, Mr. Colby said that such a plan would be presented to Mr. Berger within the week.<sup>4</sup>

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<sup>4</sup> This was done in a memorandum from Colby to Bundy, FE-244, December 7. (Ibid.)

**182. Memorandum Prepared for the 303 Committee**

Washington, December 8, 1965.

[Source: National Security Council, Special Group/303 Committee Files, Subject Files, Indonesia. Secret. 4 pages of source text not declassified.]

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**183. Memorandum From the Director of the Far East Region (Blouin) to the Deputy Assistant Secretary of Defense for International Security Affairs (Friedman)<sup>1</sup>**

I-28064/65

Washington, December 13, 1965.

**SUBJECT**

Emergency rice assistance to Indonesia

Ambassador Green has reported an increasing number of approaches from high Indonesian civilian officials for USG assistance in financing emergency rice shipments "to help tide Indonesia over next few months and help Army avoid losing on economic front what it has gained on political". He asked State's views on the feasibility of arranging export credit guarantees for US and/or third country's rice, whether covert financing is practicable, and what alternative methods there might be for assisting the Army if we need "to move rapidly and effectively" to support the Army's position.<sup>2</sup> Subsequently, Green reported that General Achmad, recently appointed by General Suharto to head the Economic Group of the KOTI Staff, said that he wanted to alert the USG to the Army's desire to discuss US assistance in obtaining rice from Thailand or Burma on a covert basis.<sup>3</sup>

State has advised Green that it does not believe covert assistance to be practicable, that the political situation in Indonesia is still so fluid that such assistance could benefit Sukarno–Subandrio rather than the Army, and that emergency assistance for rice should not be separated

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<sup>1</sup> Source: Washington National Record Center, RG 330, OASD/ISA Files: FRC 70 A 3717, Indonesia, 400.73 (430 Indonesia). Secret. Drafted by Nuechterlein.

<sup>2</sup> As reported in telegram 1634 from Djakarta, December 3. (National Archives and Records Administration, RG 59, Central Files 1964–66, E 1 INDON)

<sup>3</sup> As reported in telegram 1722 from Djakarta, December 11. (Ibid., POL 23–9 INDON)

from such broader political questions as Indonesian policy on Viet-Nam, confrontation and nationalization of US oil properties. Although State's instruction does not close the door to further consideration of emergency aid to the Indonesian Army, it gives the clear impression that the USG should be in no hurry to give such aid and that when we do we should tie definite "strings" to it.<sup>4</sup>

In view of the probability that the USG will receive a firm request from the Nasution-Suharto leadership in the near future for aid in purchasing rice, DOD should formulate a position on this matter and relay it to State, (State's outgoing instruction was not discussed with DOD). I am inclined to think that emergency assistance to help the Indonesian Army consolidate its position should be granted promptly when and if a bona fide request is made by the Army leadership. Such short-term aid should be considered separately from long-term economic assistance and should not be conditional upon a commitment to end confrontation and to suspend plans to negotiate the withdrawal of American oil firms. Although covert financing probably is too risky, it should be possible to get the Indonesian Army's agreement on some method of handling this transaction that would not embarrass the leadership if it becomes known.

The real question, it seems to me, is whether the Army requires this rice to win its struggle for power with Sukarno, or whether it can cement its authority without our help. If our assistance is essential and is requested by the Army leadership, I think we should give it without strings. If the Army emerges on top politically, which now seems likely, we will get many requests for large scale assistance. That will be the time to talk about a change in Indonesian foreign policy and other conditions on our aid. In this connection see Djakarta telegrams 1712 dated 10 December<sup>5</sup> and 1722 dated 11 December, which contain a firm Indo request for rice.

You might be interested to know that although Bill Bundy suggested in his letter of November 3 to Mr. McNaughton<sup>6</sup> that the working group on Indonesia should meet at regular intervals to discuss contingency planning, no meeting has been held in nearly a month. Frank Underhill has told Don Nuechterlein informally that he doesn't believe the working group need be involved because this question involves only economic assistance.

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<sup>4</sup> Telegram 741 to Djakarta, December 9. (Ibid., E 1 INDON)

<sup>5</sup> Not printed. (Ibid.)

<sup>6</sup> Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 3717, Indonesia 320.2-400.3295 (381 Indonesia).

*Recommendation*

That in discussions with State Department, DOD's position on rice aid to Indonesia be as set forth above.

**F. J. Blouin<sup>7</sup>**  
*Rear Admiral, USN*

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<sup>7</sup> Printed from a copy that indicates Blouin signed the original.

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**184. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, December 16, 1965, 5:15 p.m.

777. Ref: Djakarta's 1780 rptd addressees.<sup>2</sup>

1. Appears from here that Indonesian military leaders' campaign to destroy PKI is moving fairly swiftly and smoothly, that Subandrio's days numbered,<sup>3</sup> and that Sukarno might be travelling abroad before long giving military even freer hand to develop and install new govt. May well be that these developments will move so rapidly that we may be confronted within weeks with situation we have hoped for, i.e. a new govt, emerging or in being, that we can begin to talk to and deal with.

2. As you indicated in para 5 reftel, Japan and Germany are in best position to offer early assistance. In these circumstances would

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret; Immediate; Exdis. Drafted by Berger and approved by William Bundy. Repeated to Tokyo, Bonn, and CINCPAC for POLAD.

<sup>2</sup> In telegram 1780 from Djakarta, December 15, the Embassy reported on discussions with the German and Japanese Ambassadors in Indonesia about requests for economic assistance from North American Director Helmi of the Indonesia Foreign Office on behalf of the Army. (Ibid.)

<sup>3</sup> In Intelligence Memorandum OCI No. 3164/65, December 13, the Office of Current Intelligence of the Central Intelligence Agency provided background on Subandrio and suggested that he was "a barometer of the President's relations with the army. If Sukarno feels that he is not strong enough to resist army pressure, Subandrio is likely to be removed from Indonesian political life. If he continues to survive in office, this may be a sign that the President feels he can out-wait and out-maneuver the army leadership." (Johnson Library, National Security File, Country File, Indonesia, Vol. VI, 11/65-5/66)

like your views on feasibility (from point of view of exposure) and desirability of you, Saito and Wertz meeting informally together as required to concert on tactics and strategy and block out suggested lines of action for the three countries and possibly others. If idea commends itself to you, we would make this suggestion formally to Japan and Germany. We would, of course, inform UK, Australia and New Zealand of foregoing and keep them clued in.

**Ball**

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### 185. Editorial Note

The question of the role the U.S. Embassy in Indonesia in compiling and providing lists of Partai Komunis Indonesia (PKI) members to anti-Communists and Indonesian military authorities has been the subject of controversy. In 1990 a journalist interviewed Robert J. Martens, political officer in the Embassy, and then published an article, "U.S. Officials' Lists Aided Indonesia Bloodbath in 60's." (*The Washington Post*, May 21, 1990) Martens sent a letter to the editor of *The Washington Post* on June 2, 1990, in which he stated: "It is true that I passed names of the PKI leaders and senior cadre system to non-Communist forces during the six months of chaos between the so-called coup and the ultimate downfall of Sukarno." Martens continued, "the real point, however, is that the names I gave were based entirely—I repeat entirely—on the Indonesia Communist press and were available to everyone. This was a senior cadre system of the PKI—a few thousand at most out of the 3.5 million claimed party members." Martens stressed that these lists of PKI members were "not party rank and file." Martens also stated categorically in his letter that, "I and I alone decided to pass those 'lists' to the non-Communist forces. I neither sought nor was given permission to do so by Ambassador Marshall Green or any other embassy official." Martens concluded with the statement that he did not turn over classified information nor was he the head of an Embassy group that spent 2 years compiling the lists as stated in the article in *The Washington Post*. He stated that there was no such group.

Between December 17, 1965, and August 10, 1966, the Embassy sent the Department three airgrams listing PKI members. On December 17, 1965, the U.S. Embassy in Djakarta transmitted to the Department airgram A-398 that contained as enclosures lists of the PKI leadership and a compilation on the fate of PKI leaders. The airgram was drafted by Martens who informed the Department that the Embassy had received a

number of reports concerning the arrests of prominent PKI leaders, often based on suspect evidence. Martens also cautioned that there was widespread falsification of documents, such as "alleged confessions some of which can be easily detected and some not." He then explained that enclosed in the airgram were two lists. The first was an unclassified list of the PKI leadership bodies (Politburo, Central Committee, Central Control Commission, Central Verification Commission, and Secretariat Central Committee-PKI) with the names of their members as they existed in May 1965. The second enclosure was a "fragmentary compilation on the present whereabouts of PKI leaders based on limited information available." The May 1965 list contained 95 PKI positions (comprising only 67 individuals since PKI members often had multiple positions and one official was identified by two different names). The second list described the whereabouts of 18 PKI leaders of which all but 2 were either dead, arrested, or believed to be arrested. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 12 INDON)

On March 11, 1966, the Embassy sent the Department airgram A-564 which was drafted by Martens and signed by Edward Masters and contained as an enclosure an update on the fate of PKI leadership from the Central Committee, Central Control Commission, Central Verification Commission and Heads of Provincial PKI Organizations who were not members of the Central Committee. The airgram indicated that information on PKI officials "remains extremely fragmentary but sufficient additional information has been received to make a new compilation advisable." The enclosure was a list of 80 PKI leaders and their status. (Ibid., RG 84, Jakarta Embassy Files: Lot 69 F 42, POL 12 PKI)

On August 10, 1966, Ambassador Green sent airgram A-74 to the Department, drafted by Marten and approved by Masters, which provided as an enclosure another update of the fate of PKI leaders. Airgram A-74 provided new information available since March 1966 on 15 senior PKI figures and listed 4 senior PKI officials reported dead and 20 reported imprisoned. This airgram, which was signed by Green, indicated that: "A sanitized [ie. Embassy attribution removed] version of the lists in A-398 has been made available to the Indonesian Government last December [1965] and is apparently being used by Indonesian security authorities who seem to lack even the simplest overt information on PKI leadership at the time (lists of other officials in the PKI affiliates, Partindo and Baperki were also provided to GOI officials at their request)." (Ibid., RG 59, Central Files 1964-66, POL 12 INDON) Partindo was a small left wing party that was closely allied with larger and more influential Baperki, an association of Indonesians of Chinese descent.



**186. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, December 22, 1965, 1250Z.

1843. Reference: A. Embtel 1515. Reference: B. Embtel 1519.<sup>2</sup>

1. Indo politics has continued to move in "right" direction since our last assessment (reftels). PKI is no longer a significant political force, and Djakarta–Peking axis is in tatters. Meanwhile, army has gained in political experience and has further consolidated its position. Most notable change, however, has been further weakening of Sukarno's prestige and marked failure of his mid-November bid to get full authority back in his own hands. This failure has opened real possibility of far-reaching changes in local power structure during next few months, but many problems and hazards remain.

2. Indonesia is now in midst of basic political revolution. Final outlines this revolution still obscure, and there will almost certainly be slippage from time to time, but we do not believe Sukarno/Subandrio can reverse present trend. Following significant developments underlie this interpretation:

A. Sukarno's image is tarnished. From all sides we hear comment that he will no longer be decisive political factor in future. Even newspaper editorials and corner columns are beginning to snipe at his hitherto sacred image. Sukarno's dogged adherence to his discredited slogans and in particular to his insistence on continuing Communist role in Indo society and Indo alliance with Asian Communist regimes has furthered public disillusion. Meanwhile army leaders and others are ignoring his admonitions to extent which inconceivable three months ago.

B. Subandrio has been stripped of much of his authority. Even though earlier army hope to force him out before now has not materialized, Subandrio has lost ground. His intelligence agency (BPI) has been taken out of his hands and placed under army-dominated supreme operations command (KOTI). He has been smoothly eliminated from top leadership position in KOTI at time when that body apparently

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–9 INDON. Secret; Priority. Repeated to Bangkok, Canberra, CINCPAC for POLAD, Department of Defense, Kuala Lumpur, Hong Kong, London, Manila, Medan, Paris for NATUS, Singapore, Tokyo, and Wellington.

<sup>2</sup> In telegrams 1515 and 1519, both November 20, the Embassy assessed the struggle between the pro-Sukarno leftists forces and the Army/non-Communist civilians and suggested that while clear cut predictions were difficult to make, the unresolved political situation meant that regionalism was reasserting itself in Indonesia to the detriment of both Sukarno and the Army. (Both *ibid.*)

being groomed as real power center. Even within Foreign Ministry, there large faction headed by his first deputy (Suwito) which not loyal to him.

C. KOTI has developed into potential rival government. Existing cabinet (105 portfolios) must eventually be changed into more efficient governmental tool. Appointment of Nasution, Sultan Hamengku Buwono, and Ruslan Abdulgani as Deputy Supreme Commanders of KOTI, with authority over military, economic, and political affairs, seems first step in this process and virtually creates rival to Sukarno's presidium and cabinet. Below the three KOTI deputies command structures are being created reaching into every sphere of governmental activity.

D. Army's internal position is stronger. Military cohesion has tightened to extent Nasution/Suharto can now expect loyalty most key commanders in any showdown. Efforts by Sukarno to shunt aside anti-Communist military leaders have flopped, and army has retained effective urban as well as rural control despite indications month ago that control might be slipping in cities.

E. Moderates seem about to regain control of Nationalist Party (8). Sukarno support for party's radical left wing has had little effect in saving Ali/Surachman leadership. This further evidence of major shift in locus of power which has taken place.

F. Old foreign policy has been discredited. Indonesia's close alignment with Communist China is shattered. Even confrontation with Malaysia is beginning to respond to new atmosphere and we aware of as little support outside immediate Sukarno entourage for lengthy pursuit of this ill-conceived policy.

G. Indos are starting to do normal business with us again. It is apparent that high level decision has been made to clean up old problems between FonDep and Embassy. Yesterday Embassy received payment for damage to Medan and Surabaya Consulates by demonstrators earlier this year. This first reimbursement we have received since 1962. We also informed yesterday that private property of two Embassy military officers which seized when house they rented from William Palmer taken over early this year will be returned to us, ending nine months of bickering. This morning USIS books which held in storage since March were turned over to Ministry of Higher Education for use by Indo universities.

3. Indo political change not yet complete, however, and old government structure still stands in way of positive actions in some fields. Major problem for army is fact it still saddled with Sukarno. Army obviously not happy with what he says and does but still reluctant to take any direct action to remove him. It thus possible he will remain head of state although we do not believe he will regain dominant political role. In any event, we as well as army may as well face fact we may have to live with him for a while.

4. Even if Sukarno remains, we believe odds are that Subandrio will go and that locus of power will center more and more on army and civilians cooperating with it. While such government will have number of shortcomings (particularly in skilled personnel), and while it will face problems of staggering proportions, at least it likely to be government with which we can deal realistically on matters of common concern. Whether such government will be able in long run to maintain its authority and prevent fragmentation of control over these scattered islands will depend in large measure on whether army able to maintain momentum which is sweeping it to power and show concrete results in handling enormous economic and administrative problems. Continuing elimination of Communists in most areas and attacks on Chinese in some have definitely weakened public order and this is another of many problems which army will have to tackle. For time being, however, attacks on tattered remnants of PKI are being allowed to continue, although purely racial excesses against Chinese are being held in partial check.

5. As we approach 1966, we are primarily still remaining as far in the background the Indonesian scene as possible, but on near horizon is necessity to be prepared to work with a new order which will still contain many problems for us but will be infinitely more healthy and more promising than what we had before Oct 1.

**Green**

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**187. Memorandum From the Joint Chiefs of Staff to Secretary of Defense McNamara<sup>1</sup>**

JCSM-909-65

Washington, December 30, 1965.

**SUBJECT**

Aid to Indonesia (U)

1. (S) A recent message from the US Embassy, Djakarta, contains information indicating that President Sukarno might be re-

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<sup>1</sup> Source: Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 3717, Indonesia 320.2-400.3295 (381 Indonesia). Secret.

moved from power after 1 January 1966 and Indonesia may request US aid.<sup>2</sup>

2. (S) Should this occur followed by an Army takeover, requests for overt economic assistance—especially for foodstuffs—may be substantial. Requests for the overt provision of military matériel probably would not be large. Items which might be requested include ammunition, man-portable radios, light automatic weapons, vehicles, and perhaps C-130 and C-47 aircraft spares. Some training assistance might also be sought.

3. (S) The displacement of President Sukarno by the Indonesian Army could benefit US security interests in the area. While political philosophies within the Army cover the full spectrum of those existing in Indonesia, the Army as a whole appears to be searching for a non-aligned policy which runs counter to President Sukarno's previous alignment as a junior partner of the ChiComs. The Army appears to be the strongest single anticommunist force in the country but will eventually call for civilian leadership which, in turn, probably will represent a nationalist-religious-communist coalition. The US interests would be best served if the government which follows President Sukarno's removal were to be pro-Western. It is more likely that it would be neutralist. In any case, opportunities to influence the course of events will be presented to the United States and it is appropriate to investigate at this time ways in which they can be exploited to US advantage.

4. (S) There are several factors, however, which impinge upon the advisability of immediate overt provision of military aid to the Indonesian Army by the United States:

a. The position of the Indonesian Army is precarious and any overt provision of US military aid at this time could tend to reinforce charges by Sukarno, Subandrio, Peiping, and Moscow that the Army is a "tool of (US) imperialism."

b. Without a demonstrated willingness on the part of Indonesia to discontinue the "crush Malaysia" policy, the United States could be in a position of subsidizing Indonesian aggression and opposing US/UK interests in the area. On the other hand, relaxation and eventual elimination of the confrontation with Malaysia would reduce the cost to the United Kingdom of maintaining military commitments in Malay-

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<sup>2</sup> Telegram 1797 from Djakarta, December 15. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON) In telegram 1924 from Djakarta, December 30, the Embassy suggested that although dissatisfaction with Sukarno had increased, opinions differed on whether he would be ousted in the near future. The Embassy stated that "on balance we believe Army would prefer not to oust Sukarno at this time unless their hand is forced, most likely by Sukarno himself." (Ibid.)

sia and Singapore and could lead to advantageous economic relations among Indonesia, Malaysia, and Singapore.

c. Problems concerning expropriation of US economic assets, subversive intent toward the Philippines, and recognition of international law in the matter of free passage of the sea straits between Indonesian islands all require resolution.

d. Considering present US commitments in Southeast Asia, the logistics implications of aid to Indonesia must be evaluated.

e. In view of Indonesia's past tendency to export aggression, the impact on neighboring countries of aid to Indonesia should be considered.

5. (S) The Joint Chiefs of Staff recommend that:

a. The United States, if requested, be prepared to provide Indonesia a limited quantity of emergency foodstuffs/medicines in the interest of showing support for the new government.

b. Since the campaign of the Indonesian military leaders against the Indonesian Communist Party (PKI) appears to be progressing according to plan and no US military assistance appears required for internal security, the United States should not overtly provide military aid to Indonesia at this time.

c. Prior to giving favorable consideration to additional requests for overt aid, the problem areas outlined in paragraph 4, above, must be substantially resolved.

d. The Department of State and the Department of Defense jointly establish criteria for the resumption of overt military and economic assistance.

e. A memorandum substantially as contained in the Appendix hereto be forwarded to the Secretary of State.<sup>3</sup>

For the Joint Chiefs of Staff:

**David L. McDonald<sup>4</sup>**

*Acting Chairman  
Joint Chiefs of Staff*

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<sup>3</sup> Attached but not printed.

<sup>4</sup> Printed from a copy that indicates McDonald signed the original.

**188. Memorandum From the Deputy Special Assistant for National Security Affairs (Komer) to Chester L. Cooper and James C. Thomson, Jr., of the National Security Council Staff<sup>1</sup>**

Washington, January 19, 1966.

Since you guys are less suspicious than Bundy that I am hornoring in on Indonesia, note Djakarta's 2092.<sup>2</sup> Here's the first time I've seen Marshall Green himself shifting ground and recommending that he be allowed to tell the Army we would join in providing emergency aid if really needed.

Marshall is a quick study; he's also the man on the spot. So perhaps we should use his views as a lever to move our reluctant FE friends.

It's also worrisome to me when we do nothing but discourage the Japs, Germans, and others who come in to ask whether *they* should now contemplate aid. It's one thing to say that we think it too soon to talk of aid, but quite another to avoid even indicating that if things continue to go well we would probably change our tune.

With things still breaking our way in Indonesia,<sup>3</sup> I cannot understand the reluctance of State even to get ready to exploit it. If they think the President would be reluctant, I'll bet they're wrong. He was very forthcoming on Ceylon, and even bought aid to the UAR when we convinced him.

**RWK<sup>4</sup>**

<sup>1</sup> Source: Johnson Library, National Security File, Files of Robert W. Komer, Indonesia, Nov. 63-Mar 66, [1 of 3]. Secret. A copy was sent to McGeorge Bundy.

<sup>2</sup> In telegram 2092 from Djakarta, January 19, Green reported that Helmi of the Indonesia Foreign Office reiterated his plea for emergency assistance for the Army from western countries. Helmi suggested that 300,000 to 350,000 tons of rice, 50 million yards of cotton cloth, and medical supplies were needed to prevent friction within the Army ranks and disillusion among the general public. Helmi estimated the cost at \$50 million and suggested that western donors share the burden. Green recommended telling Helmi that he (Green) would meet with Suharto and Nasution to explore the question of aid and at least give them assurances that emergency aid would be forthcoming when the time was right. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON)

<sup>3</sup> In OCI No. 0481/66, January 3, "The Changed Political Scene in Indonesia," the Office of Current Intelligence of CIA stated that Indonesia was at "a major turning point in its history. The era of Sukarno's dominance has ended." (Johnson Library, National Security File, Country File, Indonesia, Vol. VI, 11/65-5/66) In a January 7 memorandum to William Bundy, Cuthell suggested that "in the months and years ahead it is clear that the Indonesian military, and more particularly the Army, will dominate as it has never before the Indonesian political scene." (National Archives and Records Administration, RG 59, EA/Indonesia Files: Lot 70 D 3, Pol 2 Gen)

<sup>4</sup> Printed from a copy that bears these typed initials.

**189. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, January 20, 1966, 1:48 p.m.

969. Ref Embtel 2092.<sup>2</sup>

1. Suggest DCM reply to Helmi along following lines: We wish to convey to Helmi and through him to Generals Nasution and Suharto two basic interrelated and inseparable thoughts:

a. The US continues to be interested in the welfare, progress and independence of the Indonesian people and is prepared assist GOI in its efforts achieve these objectives, and

b. Only the Government of Indonesia can create the conditions in which it is possible for USG to play this role.

2. The lack of favorable response to Helmi's previous overtures is not due to any negative attitude or lack of friendship or sympathy, but rather to fact that Indonesia has not yet created situation in which the US can be of assistance to Indonesia.

3. Following are major elements still missing:

a. In regard both emergency and development aid, we must be sure we are dealing with cohesive and effective GOI which can and will use it effectively.

b. We can only deal openly and publicly with Indonesian Government on matter of aid. It is impossible for a democratic country such as the US, responsible to Congress and to its people, to give substantial assistance covertly.

c. Cooperation with Indonesia has never been conditioned on US-GOI agreement on all issues, but US people could not give, nor Indonesian people accept, assistance when the US is being publicly identified by highest GOI officials as arch enemy of Indonesian people.

4. Under these circumstances US can do nothing but wait. Initiative is in Indonesian hands not in our own.

5. FYI. We do not wish Helmi, nor through him Suharto-Nasution, to get idea US assistance merely awaits green light from Army leadership. Process of basic political and economic change begun in weeks following October 1 with elimination PKI has slowed down. (It is significant Helmi-Suharto now see substantial aid from West given to a GOI still headed by Sukarno with Sukarno hopefully prepared accept aid as act of grace.) There is presently no evidence that assurance of

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, AID (US) INDON. Secret; Priority; Limdis. Drafted by Underhill, cleared by Cuthell and Barnett, and approved by Berger. Repeated to CINCPAC for POLAD.

<sup>2</sup> See footnote 2, Document 188.

US and other foreign assistance would accelerate and not retard changes which Indonesia in its own interest must make. Army discouragement on aid prospects under present circumstances may in fact by necessary additional spur to move it into further action.

6. Believe DCM should not suggest direct contact between you and either Suharto or Nasution on subject US assistance at this time. Fact of meeting at our initiative will be interpreted as conclusive evidence US in fact eager provide assistance in present circumstances if way can be found. Also, in context current Sukarno-Subandrio campaign against you and Embassy, meeting with either of top generals would seem inconsistent with both Nasution's and Malik's advice.<sup>3</sup> End FYI.

**Rusk**

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<sup>3</sup> In telegram 2138, January 22, the Embassy reported that DCM Galbraith made the points enumerated in this telegram to Helmi who accepted with "relatively good grace although he was obviously disappointed." Helmi clearly believed that the United States was being too negative in the face of the Army's real needs and achievements of the past four months, but he would pass the U.S. position to the Army. (National Archives and Records Administration, RG 59, Central Files 1964-66, AID (US) INDON)

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## 190. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, February 2, 1966, 1210Z.

2204. 1. Following message summarizes some personal opinions as to course of events in Indonesia and implications for US policy.

2. During first three weeks of December army scored considerable gains in its power struggle with the palace. During this period a prestigious triumvirate was named to direct KOTI (top policy and coordination body) with expanded powers, Subandrio was under heavy challenge, his intelligence branch (BPI) was reported to have been transferred to control of KOTI, KOTOE was abolished, Gestapu trials were announced, and left-wing political groups were being driven more and

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret; Priority. Repeated to Canberra, CINCPAC for POLAD, Bonn, London, Medan, Paris for NATUS, Tokyo, and Surabaya.



more to cover. A number of specific though small irritants in US–Indo relations were removed. By the end of the month there were rumors, some emanating from well informed sources, to effect that major shifts expected in January which would also see departure of Sukarno for extended trip abroad.

3. January, however, was marked by a number of set-backs for the army's position and by a recrudescence and regrouping of palace forces. In retrospect it appears that important showdown occurred at conclusion of three-day KOTI session on December 18 when President apparently refused to ban PKI and reasserted all his old positions. Up to that point army leadership had been operating on wishful theory that President could be brought into line on such key issues as banning the PKI and reorganizing government structure to give due attention to mounting economic crisis. However, his views were set forth in such uncompromising terms during crucial KOTI session December 16–18 that all present realized he was not going to concede one inch. Question arose: What should the army and moderates now do? There followed a short period of indecision with majority of army group, led by Nasution, favoring no action to confront President Sukarno directly and decisively. Their unwillingness to tackle Sukarno may have reflected concern as to loyalty of rank and file in the military were army to find itself in open opposition to Sukarno. Army may also have rationalized that since Sukarno and his clique refused to cooperate willingly it might be better tactic to leave them in power and let them bear full responsibility for economic deterioration.

4. When it became revealed to President in late December that army was unwilling to take any concerted action against him, he saw wider scope for his operations.

5. Public reaction during first two weeks of [garble—January?] to high prices on rice, kerosene, transportation, etc. permitted the army to move behind public opinion and encourage students to take to streets denouncing PKI, Subandrio, Sukarno's monuments and other things offensive to army and moderates. This agitation culminated on January 15 when thousands of students tried to storm gates of Bogor Palace, requiring Suharto's personal appearance before them to urge restraint. President was obliged to promise that his economic ministers would review the situation to see whether prices could be lowered.

6. Bogor Palace episode seems to have shocked the army, as much as Sukarno, re serious consequences which army would face were these disorders to get out of hand as they almost did. Thereafter army and President were genuinely united in a resolve to prevent further disorders and to crack down on students, Moslems, and others who might go to extremes. Army made its position clear to these various groups.

7. Net effect of recent events has been to discourage some of army's civilian allies and give Sukarno additional leeway to maneuver. Moderate political leaders tend increasingly to regard army as untrustworthy ally that is willing to push civilian groups to fore but deserts them when Sukarno attacks. This attitude will reduce army's ability to use such groups later.

8. Sukarno has been operating on the theory, I believe, that the longer he can delay his political solution the better chance he has of being able to accelerate realization of his cherished goals of NASAKOM and CONEFO. Possibly he feels that to announce such a solution today would invite more serious risks of counter action than to make such an announcement, say, two months from now when further divisions amongst the army, parties, religious and youth groups would have weakened his opposition. Moreover, uncertainty over political solution may feed policy differences within army itself. As long as Sukarno can sustain idea that he may ban PKI or otherwise make decision for which army leaders hope, it seems likely that a number of army voices would favor policy of "not rocking boat."

9. On the other hand, Sukarno is obviously under a great deal of pressure from many quarters to announce his decision. There is also the compelling factor that foreign governments from which Sukarno hopes to get additional assistance and relief on debt payments will be leery about actions to help Indonesia pending clarification of political situation and more importantly evidence that Indonesia has at long last come up with sound organization and plans.

10. Although we have reports from at least two reliable sources that Sukarno may very shortly announce his political decision involving promotion of NASAKOM, there would seem to be a somewhat better chance that Sukarno will go no further at this time than announcing some limited reorganization of his cabinet that would give the appearance of providing Indonesia's economy with better direction and organization. Such an announcement might, in Sukarno's opinion, set the stage for sending out missions to foreign capitals looking for debt relief and credits. He might feel that this was all that was required, particularly if men selected for top economic roles both in Djakarta and on these missions enjoyed good reputations with the countries concerned.

11. Army leaders might find such a quasi-solution acceptable on several grounds. A full-scale political decision would probably involve a Sukarno announcement they would not favor, and could also touch off sharp reactions and even disorders of a nature which army obviously wishes to avoid. Moreover army would rationalize that, if economic situation continues to worsen and if missions Sukarno sends to other countries come back empty-handed, President may be forced by events

to accept the kind of reorganization of cabinet and attention to economic problems which the army and other moderate elements seek. Hopefully Sukarno could thus be brought to heel.

12. At present and for at least the near future, Nasution seems to regard the army's role in the power struggle as directed toward maintaining law and order and preventing any kind of excesses either from the students or Moslems, or even the Presidium. The kind of Presidium excesses which army would probably not countenance would include outright legalizing of PKI, close Djakarta relations with Peking, and actions that might isolate Indonesia even further from friends on whom army and moderates might later on have to count in accepting greater responsibility for government. I believe army would regard breaking of diplomatic relations with US to fall in this category of impermissible actions. Whether it would include unfriendly acts toward the US such as the eviction of some of its diplomats here is less certain.

13. I continue to feel that, as long as Sukarno has as much power as he has today, current political and economic chaos will continue and probably deepen, and that he will be working relentlessly to drive the revolution leftward in direction of his goals of NASAKOM and CONEFO.

Current army strategy of trying to chip away at powers of President may succeed, but there is in my opinion an almost equal chance that President can successfully divide and conquer his opposition.<sup>2</sup>

14. US capabilities to shape events are very slight, but we do have some common interests with countries like Japan which have aid programs and considerable influence in Indonesia. If these countries require a realistic attack by GOI on its basic economic problems before they are willing to grant Indonesia relief on debts and to extend further credits, this might in itself have a salutary impact and could strengthen the hands of those in Indonesia who seek such changes.

15. It might be useful to draw upon this theme in our discussions with the countries concerned taking extreme care, of course, not to expose ourselves to any appearances that we trying to get friendly

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<sup>2</sup> The Office of Current Intelligence at CIA, produced an Intelligence Memorandum, OCI No. 0494/99, February 4, entitled "Paralysis in Indonesia." It concluded that neither Sukarno nor the Army were able to impose their will on the other, but Sukarno believed that time was on his side in achieving his goal of reestablishing himself at the center of Indonesia political life and reviving the left in Indonesia. (Johnson Library, National Security File, Country File, Indonesia, Vol. VI, 11/65–5/66) In telegram 2260, February 9, Green reported a conversation with Malik in which Malik's "interpretation of events and trends almost entirely accord with view I expressed in Embtel 2204." Green reported that Malik added additional information on the disintegration of Indonesia's economy and the political consequences. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–9 INDON)

countries to gang up against Indonesia. As Embtel 2195 points out,<sup>3</sup> donor countries have reasons enough to require reasonable assurance re Indonesia's economic and other policies before extending additional assistance.

Green

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<sup>3</sup> Dated January 31. (Ibid., POL 2-3 INDON)

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## 191. Memorandum of Conversation<sup>1</sup>

Washington, February 14, 1966.

### SUBJECT

Indonesia—Consultation

### PARTICIPANTS

The Secretary

Marshall Green—U.S. Ambassador to Indonesia

H. Kent Goodspeed—Officer-in-Charge, Indonesian Affairs

1. Ambassador Green reviewed the present situation in Indonesia, four and one-half months after the abortive Communist-backed coup of October 1. He noted that there have been several favorable achievements, albeit mostly of a negative nature: the PKI has been destroyed as an effective political force for some time to come; the axis with Communist China is in disarray; the Afro-Asian solidarity movement has suffered; and Sukarno's personal image has been tarnished. On the other side of the ledger, Sukarno's ideology still pervades Indonesian society, Subandrio and other leftist ministers have managed to retain a large degree of their power, and the momentum evident in November and December to reorganize and drastically reform the governmental structure has been lost, largely because of the Army's fear of widespread civil disorder and chaos. The Army has, in a sense, bought unity at

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 2 INDON. Secret. Drafted by Goodspeed on February 16. The meeting took place in Rusk's Office and began at 4:47 p.m. Rusk's next appointment was at 5:10 p.m. (Johnson Library, Rusk Appointment Book) Berger sent Rusk a short briefing memorandum for this meeting. (National Archives and Records Administration, RG 59, EA/Indonesia Files: Lot 70 D 3, PER 9-3 Consultation)

the expense of further action. The Army, as well as Moslem political groups who have a vested interest in preventing the resurgence of the Communists that have been decimated by wholesale massacre, will prevent a renaissance of the PKI. The Army will also oppose attempts to revive close relations with Communist China. Beyond that, the Army is unlikely to openly confront Sukarno, who retains his charisma with the Indonesian people and his domination of the older generation of political and military leaders.

2. The impetus for change at present comes mainly from the younger generation, particularly from student groups, and is sparked by dissatisfaction with the incredibly bad management of government coupled with increasingly chaotic economic conditions. Inflation and the increase in money supply are rampant, and there are some areas suffering from food shortages. In addition, years of living on a structure of pyramiding credits have brought on a severe foreign exchange crisis that is likely to be the spark igniting further political change. Indonesia has a total foreign debt of approximately \$2.5 billion on which payments due in 1966 are \$470 million. Since foreign exchange earnings are expected to amount in the neighborhood of only \$450 million, service on the debt will obviously have to be rescheduled. However, to date Indonesia has offered no signs of being willing to talk with creditors as a group or to demonstrate it is prepared to tackle its problems in a rational manner to induce capital exporting countries to be able or willing to be of any assistance. The Army is following a policy of remaining aloof from assuming the responsibility for economic problems; and although the Army leadership has put out some feelers, it has made it known privately that it does not want outside assistance at this time.

3. Reviewing the present state of relations of various countries with Indonesia, Ambassador Green noted that the U.S. position was at least much better than in the pre-October 1 period, ChiCom-Indonesian relations are becoming increasingly strained, and the Soviet position is at best unenviable. The Russians are in the embarrassing situation where an Army in which they have a large investment is actively suppressing a Communist Party, but at the same time they are not displeased with the destruction of the power of a thoroughly ChiCom oriented Communist Party. The Soviets probably would not object to a situation developing in Indonesia somewhat analogous to India, with both the U.S. and the USSR providing aid and with Communist China out of the picture.

4. The Secretary noted that if the U.S. were ever able to play a role in Indonesia again, particularly in regard to providing economic assistance, there were two important prerequisites: some satisfactory resolution of the Malaysian confrontation irritant, and some rational

policy toward U.S. oil companies that would not terminate in precipitous action that would bring the Hickenlooper Amendment into effect.<sup>2</sup> Ambassador Green said that the military viewed confrontation as an unproductive drain on Indonesian resources that only served to divert military power from more pressing internal security functions, but that a termination of confrontation would more likely take the form of a gradual withering away rather than be the result of a negotiated settlement. The American oil companies are faced with difficult problems, but Ambassador Green expressed the hope that through a moderate and far-sighted approach to negotiations they would find a formula to remain in Indonesia; or that if impelled to pull out, they would do so without retaliatory measures that would set off severe anti-American reactions.

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<sup>2</sup> The Hickenlooper amendment was to the Foreign Assistance Act of 1961 and was revised in 1963. It forbade U.S. assistance to nations which expropriated U.S. foreign property and assets without compensation. (77 Stat. 386)

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**192. Memorandum From the President's Deputy Special Assistant for National Security Affairs (Komer) to President Johnson<sup>1</sup>**

Washington, February 15, 1966.

*Marshall Green Appointment.* This is a good time for you to talk with our man from Indonesia, because of simmering policy differences within the USG. We all agree that the Army/Sukarno split is a good thing, and want to encourage the military—no matter how neutralist they are, they're much better than Sukarno. But he's been regaining ground against them recently.

The issue is whether to give a bit more quiet support to the Army. As Indonesia's economy slides downhill, we've had numerous approaches asking that we at least underwrite emergency rice purchases

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<sup>1</sup> Source: Johnson Library, National Security File, Files of Robert W. Komer, Indonesia, Nov. 63 to Mar. 66, [1 of 3]. Secret.

by the Army. The latest is at Tab A.<sup>2</sup> State turned it down (Tab B)<sup>3</sup> on grounds of conflicting advice from the Army *not* to help them yet.

Now the VP is in, saying the Thais see this as our great opportunity and urging we not miss the boat (Tab C).<sup>4</sup> I've talked with Green, who would like authority to move when he sees the right opening, but is dubious that this latest play is it. He's probably right. But if you give him (and Bill Bundy who'll be along) a sense of *your own desire not to miss the boat in Indonesia*, it will encourage State not to be too unimaginative when we may at last have Sukarno on the run.

R. W. Komer<sup>5</sup>

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<sup>2</sup> Tab A, telegram 1663 from Bangkok, February 14, in which Chester Cooper, who was traveling with Vice President Humphrey, reported a conversation of February 12 among himself, Humphrey, and Thai Air Chief Marshal Dawee. During this conversation and in a meeting with Cooper the next day, Dawee encouraged the United States to grant emergency assistance to the Indonesian Army, specifically a request from General Achmed Tirtasoeidior for a letter of credit to allow him to purchase 200,000 tons of rice in Thailand. (National Archives and Records Administration, RG 59, Central Files 1964–66, INCO RICE 17 INDON-THAI)

<sup>3</sup> Tab B, telegram 1439 to Bangkok, February 14, in which reasons were cited for the denial including the inability to keep covert such a letter of credit, and the Army's apparent access to Indonesian foreign exchange earnings as evidence by advance payments of \$18 million for two DC-8 aircraft and \$11 million for another project. (Ibid.)

<sup>4</sup> Tab C, telegram 1608 from Karachi, February 15, from Humphrey to President Johnson and Rusk. (Ibid.)

<sup>5</sup> Printed from a copy that bears this typed signature.

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### 193. Briefing Notes for President Johnson<sup>1</sup>

Washington, February 15, 1966.

#### SUBJECT

Meeting with Ambassador Marshall Green Tuesday, February 15

Marshall Green has returned for consultations at a moment when Sukarno's political adroitness is recouping for him much of the

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<sup>1</sup> Source: Johnson Library, National Security File, Files of Robert W. Komer, Indonesia, Nov. 63 to Mar. 66, [1 to 3]. Secret. These notes were originally prepared as a draft memorandum for the President, but Komer changed them to Briefing Notes for the President's meeting with Marshall Green on February 15; see Document 194. Attached but not printed is a brief biographical sketch of Green. The Department of State also prepared a February 12 briefing paper for the President. (National Archives and Records Administration, RG 59, EA/Indonesia Files: Lot 70 D 3, PER 9-3 Consultation)

power assumed by the military following the PKI's abortive coup last fall.

After employing brilliant "salami" tactics in eliminating the PKI as an effective political force, Generals *Nasution* and *Suharto* are now *temporizing* in using the political leverage they have gained against Sukarno. *The military* fear their unity will not hold up under a direct challenge to Sukarno and are *once again* reverting to a policy of *pursuing limited political objectives*. Sukarno is exploiting the military's hesitation to *reassert his full powers* and *continue* in force his *radical left* domestic and foreign policies.

In effect, "*two governments*" are now *competing for power* and attempting to administer the country. The struggle is likely to continue for some months without clear resolution, but *Sukarno* has *maneuvered into a somewhat better position* to come out ahead.

Without effective government, *severe inflation* is rampant and the economy continues its dangerous slide into chaos. The military are attempting to saddle Sukarno with responsibility for national mismanagement while seeking their own essential rice supplies through private channels abroad.

*Our policy* during this period has been to *maintain correct relations* with the government without attempting to initiate new aid or other programs of support. We are *reluctant to bolster Sukarno* through new monetary stabilization and other aid, are still awaiting clarification in the current political confusion, and are coupling aid with the *necessity for improved diplomatic relations and changes in Indonesian policies*. The military have been opposed to new, overt foreign economic assistance until they have achieved certain (undefined) political changes.

*Our ability to respond* to Indonesian requests for aid when they are made may be *hampered* by the simmering crisis between the Indonesian Government and U.S. oil companies. The momentum of Indonesian harassment has continued since the abortive coup last fall.

*Green* considers the next six months critical. You may wish to raise with him:

1. *Whether our present posture* remains viable in the face of Sukarno's reassertion of his authority.
2. A specific question might be *whether expanded quiet U.S. assistance to the military might place them in a better position to blunt Sukarno's impetus toward restoring his radical left policies*.<sup>2</sup>

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<sup>2</sup> Komer sent a February 10 memorandum to the President to obtain approval of the meeting with Green. In that memorandum he noted that "The power struggle between Sukarno and the Army is the second biggest story in Southeast Asia" and the outcome was still uncertain. Komer suggested giving "a little more discreet help to the Army; or at least to tell them we'd do so if and when they made the right noises. A word from you to Green would stimulate contingency planning." (Johnson Library, National Security File, Memos to the President, McGeorge Bundy, Vol. 20, Feb. 5-28, 1966)



We have serviceable channels to the military if more extensive quiet support is desired. We have so far limited this to the provision of medical supplies and communications equipment.

**R. W. Komer<sup>3</sup>**

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<sup>3</sup> Printed from a copy that bears this typed signature.

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#### **194. Memorandum of Conversation<sup>1</sup>**

Washington, February 15, 1966, 11:55 a.m.–12:20 p.m.

**SUBJECT**

Indonesia

**PARTICIPANTS**

The President  
Assistant Secretary William P. Bundy  
Ambassador Marshall Green  
Mr. Robert Komer

At the President's request, Ambassador Green discussed current and prospective trends in Indonesia, concluding with some general recommendations as to United States policy in dealing with Indonesia. The Ambassador pointed out that, even though relations between Indonesia and the United States continue to be far from satisfactory, the abortive coup last October 1 had resulted in a crushing of the Communist Party; a great loss of international prestige for Peking, whose hand was suspected as involved; a continuing worsening of relations between Indonesia and Communist China; a blow to Sukarno's pretensions as leader of the "new emerging forces" against the Western world; and a certain loss of prestige and standing for Sukarno among his own people. However, Sukarno remains on as President and leader of the

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON–US. Secret. Drafted by Green and approved in the White House on February 23. The meeting was off the record. The time of the meeting was taken from the President's Daily Diary. (Johnson Library)

revolution. He is succeeding to some extent in playing upon the divisions and fears of his opponents in regaining power. He seems bent upon getting the revolution back on leftward course. He is clever and persuasive and still seems to have extraordinary physical reserves.

According to Ambassador Green, the Army-led opposition to Sukarno, though unwilling to oppose Sukarno directly or frontally, is deeply opposed to any revival of the Communist Party and to close relations with China. The opposition would also like to see better organization and more pragmatism in government. However, fearful of civil disorders, concerned over the loyalty of their own rank and file and infected with a good deal of Sukarnoism, the Army is reluctant to oppose Sukarno directly. The military may also be reluctant to assume too much responsibility for events as long as Indonesia continues its downward course, economically and politically.

Ambassador Green felt that the deepening economic chaos, especially the crisis over foreign exchange and the tendency of various ministries to bypass the central bank, may force things to a head within the next six months or so. The situation in Indonesia is going to be extremely messy for some time to come, he added, and it is impossible to predict with any degree of accuracy the relative likelihood of a whole series of possible eventualities. What does seem to be relatively clear is that we are now in an extended transition phase between Sukarno and an unknown successor.

In this situation, the Ambassador felt that the United States should continue to maintain a low profile and preserve its options. The Ambassador said he greatly appreciated the way American officials from the President on down had avoided public statements about Indonesia. Maintaining this kind of low posture continues to be essential, since anything the United States says or does about Indonesia is subject to distortion and misinterpretation. We continue to be deeply suspect of trying to interfere in their affairs, which we of course are not doing and must not do.

The President asked whether all United States assistance to Indonesia, including assistance to the military, had been terminated. The Ambassador said it had, and he recommended that the United States not extend further assistance to Indonesia until it really begins to set its house in order. He pointed out that Sukarno is outspokenly opposed to any United States assistance to Indonesia whereas the top Indonesian military leaders have themselves secretly conveyed to us and to the Japanese that they are opposed to any assistance at this time since it would benefit Sukarno and Subandrio.

The Ambassador nevertheless felt that we should keep an open mind with regard to aid. A situation might suddenly arise where supplying Indonesia with limited quantities of grain might be desirable

on humanitarian grounds as well as to help prevent outbreaks of food riots and disorders that could endanger foreigners in Indonesia.

If the Indonesians do begin to undertake significant measures for improving their organization and direction, then, in the Ambassador's opinion, we should be prepared to lend a helping hand, preferably through a consortium arrangement or through international bodies like the ADB.

*Summary of Action*

The President said he appreciated having these observations and that he would leave it to the Ambassador to make specific recommendations as to the timing and conditions under which the United States might extend assistance to Indonesia.

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**195. Telegram From the Department of State to the Embassy in Thailand<sup>1</sup>**

Washington, February 15, 1966, 7:13 p.m.

1451. Embtel 1663.<sup>2</sup>

1. We have again reviewed reftel matter, including general consideration at all levels, and believe we must adhere to basic position stated Deptel 1439 to Bangkok,<sup>3</sup> on which we gather you have not yet acted. In reaching this decision, we have taken full account of additional conversation with Thanom and Thanat reported in Karachi 1608<sup>4</sup> (being repeated addressees).

2. In view of strong affirmative urgings of Thanom and Thanat, we now believe best tactical method might be to discuss matter frankly,

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, INCO–RICE 17 INDON–THAI. Secret; Immediate; Exdis. Drafted by William Bundy, cleared in substance with Komer, cleared by Green, Berger, and Underhill; and approved by William Bundy. Repeated to Djakarta and New Delhi.

<sup>2</sup> See footnote 2, Document 192.

<sup>3</sup> See footnote 3, Document 192.

<sup>4</sup> See footnote 4, Document 192.

probably with Thanat, before we make any response to Achmad.<sup>5</sup> Accordingly, you should see them and make following points fully and frankly:

a. We accept Achmad's authorization to try to buy rice from Thailand, and even to seek US credit backing for so doing. However, our own contact with Indo military in Djakarta has left us with clear understanding that Nasution and Suharto do not wish anything at present time that could be identified as US aid. Accordingly, we are at present skeptical of validity Achmad's statement that he is not worried by possibility that Sukarno would discover US involvement. Our own contacts leave us with directly contrary understanding, so that our present impression is strongly that any US role would have to be totally covert.

b. Any transaction on the scale of 50,000 tons, involving roughly \$7 million, simply cannot be handled by USG on covert basis. We have examined this question exhaustively and believe reports to the Congress of action taken, if not an outright Presidential Determination, would be required, which in the existing state of Congressional opinion, with at least a few vocal questioners of such action, would mean that our action would almost inevitably become public at US end.

c. Moreover, Indonesian lack of credit is well known in rice market and any credit transaction would lead to immediate questions whether Thailand could conceivably be carrying on such operation from its own resources and to surmise in wide circles that USG was actually backing transaction. This factor alone would appear to us to remove any possibility that sizable transaction could be kept covert.

d. Assuming that US role would thus come to light, there is our strong judgment that exposure would be used by Sukarno and Subandrio against Army leadership as evidence US efforts interfere Indo domestic affairs. This could have serious and indeed potentially disastrous effect on Army's current efforts to get clear upper hand in face Sukarno's increasingly resourceful political tactics.

e. In addition, from policy standpoint, USG would have some doubt whether direct assistance to Army at this time might lead to weakening Army resolve to work for basic economic reforms necessary

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<sup>5</sup> In telegram 1694 from Bangkok, February 17, Martin suggested that Dawee was the principal Thai official supporting Achmad's efforts and Thanat had suggested U.S. support only if the transaction could be a "completely 'clean' deal." Since Thanat and Thanom were leaving for Australia, Martin had his frank discussion with Dawee who said he understood the U.S. decision, but regretted it. (National Archives and Records Administration, RG 59, Central Files 1964-66, INCO-RICE 17 INDON-THAI) In telegram 1701 from Bangkok, February 18, the Embassy reported that Achmad had been informed of the U.S. decision and at the same time assured of U.S. sympathy for Nasution and Suharto. Achmad regretted the decision, but stated he understood the U.S. position. (Ibid.)

to create foundation on which outside assistance would have regenerative effect.

f. As to Thai argument that Chicoms likely to give rice to Sukarno, our own judgment is that Peiping/Djakarta relations are now at a new low and that Chicoms must be well aware that Army in fact would control disposition any rice arriving in Indonesia and would see to it that military needs met first.

g. Net of above is that we simply cannot see our way clear at this time to take risks, amounting we believe to certainty, of disclosure USG role, in return for doubtful benefits.

3. You should then discuss frankly with Thanat whether they or we should convey any message to Achmad for time being. FYI: Although they have clearly thought any transaction depended on us, our response may cause them to reflect on handling at least modest trial deal on their own. If so, we might wish to concert our response to Achmad with what Thai say. End FYI. In any case, we would not wish Thai to speak for us to Achmad other than along lines Deptel 1439, and if Thai have no other ideas we should probably get this message to Achmad ourselves after quick turnaround here.

4. In conveying all of above, you should of course make clear that our reluctance proceed with this proposal indicates no lack of sympathy in Indonesian problem nor unwillingness to help when we feel time is ripe and preferably when assistance would be of maximum benefit to Army. If for humanitarian as well as political reasons some injection rice and other essential consumer commodities became necessary we would be prepared consider rapid action. However, we do not believe situation has reached this critical a point as yet. In any event, we wish continue close consultation with Thai on Indonesian developments.

**Rusk**

# 196. Telegram From the Department of State to the Embassy in New Zealand<sup>1</sup>

Washington, February 18, 1966, 6:12 p.m.

620. Wellington for Vice President and Harriman. Ref Canberra's 604.<sup>2</sup>

1. We are repeating to you Bangkok telegrams 1694 and 1701<sup>3</sup> and Djakarta's 2313,<sup>4</sup> which provide further information on Achmad rice purchase project.

2. Ambassador Green returning Djakarta this week-end and prior his departure for Baguio meeting he will explore food situation and Army interest in rice purchase.

3. Achmad approach is one of a number of semi-official Indonesian efforts probe availability of rice under favorable terms from range of possible suppliers. Japanese have in past indicated readiness to supply if they are convinced of real need and favorable political impact. There are, in short, alternative sources of supply less dangerous to Army and donor country.

4. We now have in final stages of approval project to increase PL-480 Title IV shipments of foodstuffs from current 10,000 tons annual level to 50,000 ton level under Catholic Relief for distribution in areas where Army considers greatest need exists. Details worked out directly between CRS and Indo authorities with a view to minimizing political risks while giving Army tangible evidence of our desire to help.

**Rusk**

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, INCO-RICE 17 INDON-THAI. Secret; Immediate; Exdis. Drafted by Underhill, cleared by Berger and in draft with Green, and approved by William Bundy. Repeated to Djakarta and Bangkok.

<sup>2</sup> In telegram 604 from Canberra, February 18, Humphrey and Harriman stated that despite the "elaboration of familiar doubts and risks," they still favored giving Achmad's approach serious consideration. The risks cited were less potentially damaging than "missing a key opportunity to affect outcome Indo power struggle at critical pre-harvest juncture." (Ibid.)

<sup>3</sup> See footnote 5, Document 195.

<sup>4</sup> In telegram 2313 from Djakarta, February 16, the Embassy fully agreed with the Department position. (National Archives and Records Administration, RG 59, Central Files 1964-66, INCO-RICE 17 INDON-THAI)

**197. Memorandum From the President's Special Assistant for National Security Affairs (Bundy) and Chester L. Cooper of the National Security Council Staff to President Johnson<sup>1</sup>**

Washington, February 21, 1966, 7:30 p.m.

SUBJECT

Indonesian Developments

Sukarno has ousted General Nasution as Indonesian Defense Minister, removed several other moderates from the cabinet, and added seven leftist ministers.<sup>2</sup> Unless the Indonesian military challenge these decisions, this development will restore Sukarno to full political control and will negate Indonesia's anti-Communist tendencies that have been at work since October. If the military decide to reverse Sukarno's decisions, and it is not at all clear that they will, the situation could degenerate into civil war.

Reports from our Embassy tend to conclude that the military, and particularly Army Commander General Suharto, may not contest Sukarno's move at this time.<sup>3</sup> This would be consistent with the military's past record of avoiding direct political confrontation with Sukarno and of playing out a game of maneuver.

There are factors currently at work, however, which make this situation more fluid than usual. In pressing a nationwide campaign of five months against the Indonesian Communist Party, the military have unleashed religious and political emotions that have even been directed against Sukarno, himself, and that might be difficult to hold in check. This would be particularly true if Moslem and youth elements receive any encouragement from the military. There are some reports that the military plans to foment demonstrations to afford a pretext for their re-imposition of martial law and the reversal of Sukarno's decisions. This would lead to the direct confrontation with Sukarno that the military has always avoided. But some Army elements might be ready

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VI, 11/65–5/66. Secret. There is an indication on the memorandum that the President saw it.

<sup>2</sup> In telegram 2341 from Djakarta, February 20, the Embassy reported a "real crisis shaping up between Sukarno and Army." Telegram 2360 from Djakarta, February 22, contains a complete list of the "reshuffled Dwikora Cabinet" announced by Sukarno on February 21; telegram 2364 from Djakarta, February 22, contains biographic data on new members of the cabinet; telegram 2365 from Djakarta, February 22, contains the Embassy's comments on the new cabinet organized by major functions. (All National Archives and Records Administration, RG 59, Central Files 1964–66, POL 15–1 INDON)

<sup>3</sup> As reported in telegrams 2353 and 2363 from Djakarta, February 22. (Ibid., POL 23–9 INDON and POL 15–1 INDON, respectively)

to accept the risks of internal military strife rather than lose the opportunity of completing the internal political changes their moves against the Indonesian Communist Party set in motion.

Although the situation is confused and fluid, one thing is clear: few if any U.S. initiatives to influence the course of events are apparent.

CLC

McG. B.

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**198. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, March 4, 1966, 0830Z.

2469. 1. Following is Embassy analysis of present political situation and future prospects insofar as these can be determined in highly fluid situation.

2. Tactics of major participants in political struggle have emerged more clearly during past week. According present indications they are as follows:

A. Students. Students appear to realize that they themselves cannot bring down present Indonesian Government and that only army can do so. However, they feel strongly that army has waited too long and that they must goad it into moving despite itself. Student demonstrations and other activities are thus designed to force army to act.

B. Army. According some [*less than 1 line of source text not declassified*] reports army, for its part, hopes use students and other groups to heat up atmosphere and then move against Subandrio and other leftists in high places using excuse of need to restore security. Sukarno is not direct target of this strategy but some within army reportedly realize he would probably resist any action against Subandrio and that army must therefore be prepared meet him head on if necessary. (Note:

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret; Priority. Repeated to Bangkok, CINCPAC for POLAD, Hong Kong for Ambassador Green, Kuala Lumpur, London, Manila, Medan, Singapore, Surabaya, and Tokyo.



Strategies of army and students fit neatly together if army does, in fact, move before student campaign loses steam.)

C. Sukarno. Sukarno apparently believes that strong stand will divide and weaken his opponents. During past week he has returned number of radical leftists to positions of power, banned Student Action Command, prohibited demonstrations and closed university. He is apparently aware that many within army are reluctant to confront him directly and believes that policy of firmness will further intimidate military, as it has in past, and lessen chances that army and civilians can unite against him in effective action.

3. Thus far old Sukarno magic is not working as usual. Student activities have continued unabated despite clear evidence of his displeasure. Yesterday's activities were most open attack to date on Subandrio, and Sukarno himself has come in for some criticism. As campaign progresses students seem to be developing greater self-confidence and sense participation in significant historical turning point. Their determination is increased by numerous indications that majority of people of Djakarta are with them.

4. There is still no firm indications that army will act although some knowledgeable Indonesians during past few days have become more optimistic. General Sukendro, in contrast to his earlier pessimistic moods, told New Zealand Chargé March 2 that generals may soon decide to become "patriots instead of soldiers." However, exact nature and timing of any army move against Subandrio or others in top positions remain uncertain and it seems likely that army itself has not firmly decided on these crucial questions.

5. Despite uncertainties in present situation there are number of elements which make present situation more encouraging than it has ever been in past:

A. Students and other civilian activists now seem to realize more than ever before that they must lead army rather than simply wait for it to act.

B. Younger officers within military are also dissatisfied with lack of action by their superiors. This is additional element which could at some point tip balance in favor of military action.

C. Army tactic of soliciting petitions from lower ranks could also increase role of activist elements in determining army policy. Suharto, who has reportedly asked for such petitions to strengthen his hand with Sukarno, could actually get more than he has bargained for.

D. Increased student activity places greater pressures on palace for countermeasures. Escalation in present campaign could be dangerous for palace since it might eventually lead to more open army intervention on side of students.

6. Balanced against these favorable elements is not inconsiderable ability of Sukarno to manipulate forces, as he recently did with Nu and Muhammadiyah. Army's position itself has a number of built-in vulnerabilities. Its tactics are overly complex and lack clear focus, particularly in continued unwillingness to face up to fact that Sukarno himself is the real problem. Army does not really need excuse of deteriorating security situation to act if it really has will to do so. Moreover, by continuing to reign students in from key targets army is actually hindering creation of "unrest" which it hopes to exploit. There is also possibility that Sukarno-Subandrio might be able to unify elements now against them through dramatic move on international level. Possible new summit on Malaysia, stepped up confrontation, troubles with Philippines, contrived crisis in relations with US or other issue might be used for this purpose, particularly if Sukarno and his supporters become desperate as result of increased pressures against them.

7. In short run, and balancing factors, we believe chances for firm army action to topple Sukarno directly are slim. Action to eliminate Subandrio and other left-wingers and thus break Sukarno's power in two stage process is considerably more likely but odds are probably not much better than 50-50. Nonetheless this is significant improvement over earlier situation.

8. Even if army does not act in short run, longer range prospects are now far more favorable as result student campaign which has ushered in new political atmosphere.

A. Students' enthusiasm and heroism have galvanized heretofore disparate and passive opposition to Sukarno's regime. Several western-oriented Indonesian intellectuals, for example, who had retired completely from political scene, suddenly appeared on streets with students and we have many reports of organized middle-class housewife network for feeding and clothing students and even of spontaneous provision of free food by street merchants and other lower class elements.

B. Students have also torn hole in political doctrine which identified Sukarno with state and which has allowed President to beat off clearly superior forces. Students have shown many of their elders that one can be patriotic without being pro-Sukarno or pro-government. They have done this by adopting causes popular with broad segment of population (lowering of prices and elimination of ineffective managers) and by conducting their campaign in surprisingly orderly fashion which smacks neither of anarchy nor rebellion.

9. In summary, we believe political struggle will be protracted. Student demonstrations are likely to continue for some time despite Sukarno's efforts to suppress them. They will not bring about change

in regime in near future unless army joins in openly, and we see only about 50–50 chance for this. Viewed in longer range, however, student demonstrations have begun healthy reorientation of Indo political thinking which will work against Sukarno and can eventually lead to downfall of his regime.

**Lydman**

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**199. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, March 10, 1966, 0900Z.

2536. 1. Minister Adam Malik, who seemed to be in higher spirits than I've ever seen him before, told me at rendezvous last night that situation is explosive, with army prepared to move at any moment using 22 army battalions loyal to Generals Nasution and Soeharto in and around Djakarta area.

2. I said I understood Sukarno was planning to dismiss Soeharto. Was this true? He said President was planning to dismiss either or both Soeharto and Adjie; and Malik hoped Sukarno would do so because this would be precisely the action which would incite armed forces to move physically against Presidium and bring about long-needed changes.

3. I remarked that on past occasions when army seemed united in its resolve, Sukarno was able to recapture initiative by calling in all the military brass including regional commanders and putting on one of his performances which seemed to leave military commanders uncertain as to how each other stood and therefore they wavered at the crucial hour. Sukarno has called for such meeting this weekend; will history repeat itself?

4. Malik replied that he did not think it would. All the Panglimas are behind Soeharto only awaiting his order. However, army will not take initial step against Sukarno/Subandrio to avoid chances of being the aggressor, but army action will be in the form of a counter-action. Thus students and laborers will continue their demonstrations until

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<sup>1</sup>Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 23–9 INDON. Secret; Immediate. Repeated to Taipei for Bundy. Passed to the White House.

Sukarno/Subandrio provoked into taking some action which will justify army counter-moves. This could be touched off by a dismissal of Soeharto or Adjie or Sarwo Edhie or Mokoginta or by Tjakrabirawa troops shooting students. An example of how close Sukarno is to triggering army move was when he and Subandrio inspected ransacked Foreign Ministry March 9. Sukarno so angry that he ordered Tjakrabirawa troops to shoot at students.

5. Malik continued that even young air force officers are now organized into teams supporting anti-Presidium movement and have plans to sabotage any aircraft engaged in escape of leftist cabinet ministers from Djakarta.

6. Malik said that by far the most important new element in situation since last we met a month ago was student movement against Subandrio and other leftist cabinet ministers. These students more powerful than all parties put together and command much wider sympathy and support. In fact, all previous anti-government movements here have lacked this kind of popular support. Student demonstrators include sons and daughters from most prominent families including those who are in pro-Sukarno camp and they naturally exert considerable influence on their parents. Moreover, soldiers and policemen most reluctant to shoot at student demonstrators. As example, he cited dilemma of one policeman charged with protection of Foreign Office on March 8. When he pointed his gun at a student, he discovered this was son of his superior officer. Policeman so shocked he disappeared from scene. Same has happened to members of Tjakrabirawa battalion, a number of whom have deserted.

7. Additionally, trade unions are getting into the act. Most of trade unions will be supporting students actively by joining in demonstrations and by strikes beginning this week.

8. I asked Malik whether dismissal of Nasution had been serious setback for anti-Subandrio forces. He said not at all; Nasution, who continued to command nationwide respect, could now operate more effectively behind scenes than from office in Defense Ministry. Nasution and Soeharto remained close but it was better to have Soeharto the front man. I inquired about position of General Machmud (Kodam V Commander in charge of Djakarta area). Malik said he was completely with Soeharto.

9. Finally and most importantly, I asked Malik about general security situation as it affected Americans and American property. I pointed out that Subandrio reaction to attacks by students on his Foreign Office and against him personally seemed almost certain to result in his trying to retaliate as well as divert attention. He could not target the army or the students, so it was quite probable he would incite his goon squads against our Embassy. We've already had two examples of that in past

two weeks.<sup>2</sup> I also had some rather disturbing reports from unevaluated sources that Sukarno has indicated in his anger that he would do to the Americans what he had done to the British several years ago. This meant danger to our residences as well as the Chancery. What did Malik think of that?

10. Malik replied that undoubtedly Subandrio will attempt anti-US actions. However, this will receive no support from overwhelming elements here, and the army will definitely step in to protect the Americans. Malik felt there was no need to evacuate members of American community from Djakarta but suggested that they remain out of sight as much as possible, particularly during next week or so when things likely to be hyper-tense.

11. I told Malik once again that I hoped for a new relationship between our governments, one that was productive and helpful from Indonesia's viewpoint, and that meanwhile it was absolutely vital that nothing occur, such as anti-American actions, which would gravely, if not permanently, injure our relations and eliminate future possibilities for fruitful friendship and cooperation. He said he fully understood my point. He felt the same way. He said he was more assured than ever that things would work out the way we both wanted. Certainly his mood reflected this assurance.<sup>3</sup>

12. I asked Malik to feel free to share the burden of our conversation with Nasution and Soeharto. He said he would do so.

**Green**

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<sup>2</sup> On February 23 and March 8 small, well-organized groups of leftists attacked the U.S. Embassy. There were no injuries and no attackers penetrated the Embassy building. (Telegram 2509 from Djakarta, March 8; *ibid.*)

<sup>3</sup> In telegram 2564 from Djakarta, March 12, 0150Z, the Embassy reported that a reliable source indicated that the Army was in the process of arresting 20 cabinet ministers. (*Ibid.*)

## 200. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, March 12, 1966, 1000Z.

2579. 1. Indonesia has just gone through its own peculiar form of military coup.<sup>2</sup> At long last Sukarno has pushed his luck too far, and his plans to dump top army leadership and bring known-Communist in as Army Minister have triggered army action to curb his power. Way coup handled preserves Sukarno as unifying force and establishes army's legitimacy. Army believes both of these are essential. At same time Suharto has in KOGAM order number one<sup>3</sup> full authority if he chooses to use it.

2. People of Djakarta are clearly with army. Moderate political parties and other organizations have all issued statements pledging support to Suharto. Students, who created atmosphere which permitted, and in fact forced, army to act, are understandably jubilant. They are roaming through city today on foot and in trucks repeating their slogans against Subandrio, Sumardjo, "Gestapu Cabinet" and high prices.

3. Key now is whether army will move quickly and effectively to consolidate its position. Indications to date are that it will.

A. Parade this morning (septel)<sup>4</sup> has provided emotional outlet for people after weeks of growing tension, and has demonstrated army's popular support. Whole affair was carefully and effectively staged.

B. PKI and all its front organizations were formally banned by Suharto at noon today. While this somewhat academic since PKI has ceased to exist as effective organized party, ban is clear signal that army prepared to go directly against Sukarno's well-known wishes. Army may well now move against PKI elements in Djakarta which has been virtual safehaven for them in past several months.

4. It is not yet clear extent to which army will dominate new government and extent to which it will be willing to share real power with its civilian allies from anti-Communist political parties. However,

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9, INDON. Secret; Immediate. Repeated to CINCPAC for POLAD, Department of Defense, Canberra, Hong Kong, Kuala Lumpur, Bangkok, London, Manila for FELG, Medan, Singapore, Surabaya, and Tokyo. Passed to the White House, USIA, NSA, and CIA.

<sup>2</sup> Telegram 2571 from Djakarta, March 12, contains a preliminary reconstruction of the events of March 11 and 12. (Ibid.)

<sup>3</sup> In this order issued on March 12, the PKI was dissolved and permanently proscribed throughout Indonesia. The order also dissolved and proscribed all organizations based on, protected by, or affiliated with the PKI. Under this order Suharto had authority to act on his own initiative and was only required to report to Sukarno on actions taken. (Telegram 2573 from Djakarta, March 12; *ibid.*)

<sup>4</sup> Not found.

odds would seem to favor coalition between army and moderate political leaders such as Adam Malik, Sultan of Jogjakarta, and others. Group previously banned by Sukarno and older leaders, some of whom are imprisoned and some merely on shelf, may play role as advisers but we doubt groups which survived and which will play key role in government will be willing to share fruits of their victory and yield important posts to these elements.

5. If army moves to consolidate its position, and we believe odds are that it will, we can probably expect following moves:

A. Major change in cabinet. Subandrio has had it, and other pro-Communists and incompetents can be expected to be replaced. Cabinet will probably be reduced in size and streamlined. There could, however, be deal with Sukarno which would save some of his less obvious cronies.

B. Crackdown on corruption and effort by army to get its hands on illegal funds many of present Ministers have salted away. Serious attention to basic economic problems will probably follow later.

C. Re-evaluation and gradual reorientation of basic foreign policies. Army will end Sukarno's "axis" with Peking and might well drive ChiComs to point of breaking relations. CONEFO is likely to be scrapped. Confrontation with Malaysia will remain on books but likely slowly wither and die as far as serious military action is concerned. At same time, army will be cautious in moving too close to West.

D. Root out political undesirables from positions of authority in army and other military services.

6. Sukarno is still on scene. As long as he is there is danger of comeback but we believe chances of full return to former position are remote. Army has taken first step. If Sukarno again pushes too far, next step against him directly will be far easier.

7. Major government appointments and treatment present ministers will quickly give indication of precise direction government will now take. Government will continue to use many of the old slogans, as indeed Suharto has done in his order of the day (septel).<sup>5</sup> However, deeds will be far more important than words and it on former basis that government should be judged. As far as USG concerned there are number of immediate issues (Lovestand case, return American journalists, compensation for March 8 attack on Embassy, etc.) which will test GOI attitudes. Early next week when situation hopefully more clear we will send our recommendations for US policy.

**Green**

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<sup>5</sup> Not found. According to telegram 1157 to Djakarta, March 12, responding to telegram 2579 from Djakarta, March 12, the Department noted that "Suharto's reiteration of anti-NEKOLIM slogans and policies, including confrontation suggest he would not welcome overt western support at this point." (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON)

**201. Memorandum From the President's Deputy Special Assistant for National Security Affairs (Komer) to President Johnson<sup>1</sup>**

Washington, March 12, 1966, 10:30 a.m.

*Backing up success.* It is hard to overestimate the potential significance of the army's apparent victory over Sukarno (even though the latter remains as a figurehead). Indonesia has more people—and probably more resources—than all of mainland Southeast Asia. It was well on the way to becoming another expansionist Communist state, which would have critically menaced the rear of the whole Western position in mainland Southeast Asia. Now, though the unforeseen can always happen, this trend has been sharply reversed.

The coup in Ghana is another example of a fortuitous windfall. Nkrumah was doing more to undermine our interests than any other black African. In reaction to his strongly pro-Communist leanings, the new military regime is almost pathetically pro-Western.

The point of this memo is that we ought to follow through skillfully and consolidate such successes. A few thousand tons of surplus wheat or rice, given now when the new regimes are quite uncertain as to their future relations with us, could have a psychological significance out of all proportion to the cost of the gesture. I am not arguing for lavish gifts to these regimes—indeed, giving them a little only whets their appetites, and enables us to use the prospect of more as leverage.

But my experience is that the bureaucracy will err on the side of caution rather than initiative; hence my suggestion that, in expressing your pleasure to SecState and others over the Indonesia and Ghana coups, you make clear that we ought to exploit such successes as quickly and as skillfully as possible. You have no idea how important a word from you can be in setting the tone for the bureaucracy. And in this case I strongly suspect that my own suggestion is quite in accord with your own political instinct.

If you prefer, I would pass this word to Rusk and Bell; but at the moment there is simply no substitute for direct word from you.

**R. W. Komer**

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President, McGeorge Bundy, Vol. XXI. Confidential. There is an indication on the memorandum that the President saw it.



**202. Memorandum From the Deputy Assistant Secretary of State for Far Eastern Affairs (Berger) to Secretary of State Rusk<sup>1</sup>**

Washington, March 14, 1966.

SUBJECT

Recent Developments in Indonesia

*October 1 and Indonesia*

1. Although there has been little tangible improvement in the state of our bilateral relations with Indonesia during recent months, recent developments there may eventually lead to significant long-range changes in Indonesia's internal and external policies. There have been several major results of the abortive October 1 coup attempt including: 1) the decimation of the PKI as an organized political force; 2) a severe strain in Sino-Indonesian relations; and 3) the emergence of new forces that are articulating demands that run counter to President Sukarno's fundamental philosophy and the way he has been governing.

*Background to Recent Developments*

2. During the five months that followed the September 30 attempt, President Sukarno and Foreign Minister Dr. Subandrio jockeyed with the military for political advantage. On February 21, Sukarno announced his decision to reshuffle his cabinet in order to cut the ground from under the military leaders who were offering the greatest threat to his power. Eliminated in the shuffle were several prominent non-communists, including Defense Minister Nasution, while all of Sukarno's known leftist advisers were retained. This triggered a mass reaction. During the February 22-March 12 period, thousands of students demonstrated almost continuously in the streets of Djakarta demanding the banning of the PKI; ouster of Subandrio; and reduction of prices. During the past week they occupied and ransacked the Indonesian Foreign Ministry, forced the Education Ministry to close its doors, and violently attacked the offices of the New China News Agency, Chicom Consulate General and the Chicom Trade Mission in Djakarta, injuring several Chinese in the process.

3. In weak counterpoint to these large demonstrations were two raids staged on February 23 and March 8 against the U.S. Embassy by small but well-organized groups of leftists. No one was injured, nor was the Embassy building penetrated by the attackers.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 15 INDON. Secret. Drafted by Meyers and Conlon. Rusk initialed the memorandum.

### *The March 12 Affair*

4. In a supreme effort to blunt the impact of the student demonstrations Sukarno scheduled a series of three meetings over the weekend of March 12 that were intended to divide and eventually conquer his opposition. The military, however, reportedly concerned by reports that Sukarno planned to replace Suharto with a leftist general responded by handing Sukarno an ultimatum. In response to the ultimatum, Sukarno transferred responsibility for maintaining security to the Army. Since that time Suharto has been issuing decrees "on behalf of" Sukarno. A cabinet reorganization is in progress and early indications are that Subandrio and other leftists will be out.

### *The Future<sup>2</sup>*

5. While the final resolution of the ongoing power struggle is not yet certain, it would appear that the military has for the moment regained the initiative. Their eventual success or failure depends largely on their ability to: 1) retain their present momentum; and 2) maintain internal unity within their own ranks. We will, of course, be watching the development of the situation to see how we can adjust our relations with a hopefully more moderate Indonesian government. We will also be examining the advisability of some form of economic aid, at an appropriate time.

6. The final question mark is Indonesia's newest political power group—the students. Although they will side for the moment with the military, they may in the long run prove to be Indonesia's most significant "new emerging force."

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<sup>2</sup> INR Director Hughes sent Rusk Intelligence Note no. 154, "The Situation in Indonesia," March 14, which stated that the army, although prepared to restore security and revamp the government, was unlikely to assume the leading role in the government. Hughes also suggested that "Sukarno's submission to army pressures is probably only a strategic retreat and he can be expected to attempt a comeback after a short time." (Johnson Library, National Security File, Country File, Indonesia, Vol. VI, 11/65-6/66)

### 203. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>

Washington, March 17, 1966, 6:53 p.m.

1173. Ref: A. Djakarta's 2628 (Notal); B. Djakarta's 2633<sup>2</sup> (Notal).

1. Following is our current assessment as to how Indo situation likely develop and summary our current thinking as to nature of US response to Indo requests for assistance, which seem to be inevitable and probably in near future.

2. We do not expect either return of Sukarno/Subandrio to real power or rapid emergence strong, economy-minded regime in near future. Even if new moderate government emerges along lines para 5 ref B,<sup>3</sup> it will likely represent compromise between various remaining elements of Indo power structure, collectively concerned about problem of establishing itself in effective control over country, and both unwilling and unable to take dramatic or surgical action on Indonesian economy. We assume Sukarno would preserve at least titular power, and that effective exercise of responsibility by new regime will be limited by a felt need to keep him reasonably happy through at least continued lip service to Sukarno's official mythology for sake of maintaining continued national unity.

3. Government of this sort is likely to be aware of and concerned about basic economic problems of Indonesia, but will feel that it must get through months ahead with palliative help from outside rather than by taking on basic problems. Expect it will, for example, not dare make significant reduction in size of civil service or army.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, AID (US) INDON. Secret; Priority; Limdis. Drafted by Cuthell; cleared in draft with Barnett, Vladimir Toumanoff, Officer-in-Charge of Multilateral Political Relations (EUR/SOV), and Poats; cleared by Mann and Richard W. Petree, Officer-in-Charge of Japanese Affairs; and approved by Bundy. Also sent to Tokyo and repeated to Moscow, Bonn, Paris, The Hague, Kuala Lumpur, and Hong Kong. In a note to Komer, March 18, Thomson reported that this cable went out without White House approval and was the "end product of a reluctant and hand wringing approach to contingency planning" strongly encouraged by the NSC staffers. Although "irked" by some preemptory judgments, Thomson "welcomed even this bit of glacial progress on the part of the Department." Thomson concluded, "Clearly the Japanese are being set up as our front men, and I suppose that makes sense." (Johnson Library, National Security File, Country File, Indonesia, Vol. VI)

<sup>2</sup> Both dated March 16. (National Archives and Records Administration, RG 59, Central Files 1964–66, FN 14 INDON and POL 23–9 INDON, respectively)

<sup>3</sup> In paragraph 5 of telegram 2633 from Djakarta March 16, Embassy suggested that, "there would almost certainly be an eventual rehabilitation of old pro-Western elements like Masjumi and PSI but probably under different names." Leaders like Malik, Suharto, and Nasution would probably play a key role.

4. This government likely make complicated series of bilateral appeals through the usual traveling teams and through foreign ambassadors in Djakarta for food and fibers and for debt rescheduling and new credits overtly from Japanese and Europe, and, at least initially, covertly from us.

5. When approached by Indonesians we might react as follows:

A. US interest in giving help depends on some showing that a constructive Indonesian government is establishing itself firmly in power desiring to pull country out of its present economic shambles. We are ready to help such a government out with rice and cotton on terms which Indos could advertise as commercial but which are in fact very concessional (along lines Ambassador Green's discussions in Washington, using mechanisms like PL 480 and CCC guaranty).

B. Concealment is impossible for us. We do not desire embarrass GOI or give erroneous impression that we are trying to move back into Indonesian scene, but fact of life is that any real role we can play in helping Indos will be public knowledge.

C. With respect to debt rescheduling or other aid apart from above immediate food and fiber relief, following considerations apply:

i. We feel that support for Indos other than limited emergency measures can only be effective or possible politically on multilateral basis.

ii. Our thought is that one or more nations friendly to Indos—such as Japan—should be asked by Indos to take lead in arranging meetings of creditor and perhaps other interested countries to analyze debts and need for cash and credits during months while GOI is attempting to reverse present deterioration and to establish itself, and to decide how to proceed collectively in helping Indos out of predicament. We would be glad to participate.

iii. Problem of Indo situation is international, and action taken must involve equality of treatment of creditors, for which reason we believe it important attempt secure participation USSR. We and other creditors could not, for example, accept an arrangement on credits and debt rescheduling which simply freed Indo assets to service Russian debt. We believe Russians should be asked to participate in aid meetings (ii. above) even though they may well refuse attend.

iv. We are willing to help GOI but we cannot do so if GOI continues to hammer at us as its greatest enemy, is pursuing military confrontation or confiscates US oil properties. These are not onerous preconditions and we would not ask sharp changes in public policy of sort which might endanger GOI existence.

6. We have it in mind that early if not first Indo request for support will be to Japanese in course visit frequently deferred Indo economic mission. When we and addressees have reached agreement as to US position we believe we should review it in some detail with Japanese, both to correct view reported para 4B ref A and to help Japanese prepare respond to Indo request for aid. Action addressees requested comment

soonest on foregoing and on other aspects of problem they may wish raise.<sup>4</sup>

Rusk

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<sup>4</sup> In telegram 2682 from Djakarta, March 19, Green judged the Department's analysis and proposed response to Indonesian requests for aid to be "excellent." (National Archives and Records Administration, RG 59, Central Files 1964-66, AID 1 INDON)

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**204. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, March 22, 1966, 8:50 p.m.

1182. 1. As new Indonesian government attempts to build up international support for Indo economy fact that GOI has cut itself off from almost all international organizations will present growing problem. We assume that responsible people like Sultan and Malik aware of need to re-join the world, but that they will feel need to proceed slowly and to avoid challenging Sukarno decisions directly.

2. We believe Indos should be encouraged to start reentry into at least those organizations which can help them directly or through coordination multilateral assistance. We expect GOI will be receiving advice to this effect from other countries they are or will be approaching for help, but think it would be unwise for USG to take initiative with Indos as they likely both to suspect our motives and to assume our interest indicates they have new bargaining asset with us.

3. At same time, Indos will probably worry about our reaction if they attempt either rejoin any of organizations they have left or join others they have not been in, notably Asian Development Bank. If feelers put out indicating such concern, believe you should make clear

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 1 INDON. Secret; Limdis. Drafted by Cuthell, cleared with Deputy Assistant Secretary of State for European Affairs Walter J. Stoessel, Jr., Deputy Assistant Secretary of State for International Organization Affairs David H. Popper, Barnett, Ewing, and Officer-in-Charge of Japan Affairs Richard W. Petree. Repeated to Bangkok, Bonn, Canberra, The Hague, Hong Kong, Kuala Lumpur, London, Manila, Moscow, Paris, Rome, Tokyo, Wellington, CINCPAC for POLAD, and USUN.

we would support Indo applications quietly and would not seek exploit their action as western victory. If your advice sought, you might suggest that Indo statement of intention join ADB (with which GOI has no history) could be useful opening gambit.

4. Foregoing position is, of course, based on our conclusion that Indos should be drawn back into real world, that they likely prove unreliable and often unfriendly voice and vote, but that importance of former outweighs risk of latter.

5. Djakarta comments requested.<sup>2</sup>

**Rusk**

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<sup>2</sup> In telegram 2732 from Djakarta, March 24, the Embassy agreed it was in U.S. interest to draw Indonesia back "into the real world" by joining useful international organizations and that the United States should remain in the background. (Ibid.)

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**205. Memorandum From James C. Thomson, Jr., of the National Security Council Staff to the President's Special Assistant (Moyers)<sup>1</sup>**

Washington, March 31, 1966.

**SUBJECT**

Rice for Indonesia

I have just learned that the President has instructed the Secretary of State to move ahead on the attached proposal for the one-shot emergency shipment of 50,000 tons of rice to Indonesia under PL 480 Title IV.<sup>2</sup>

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VI, 11/65-5/66. Secret. Copies were sent to Bromley Smith, Executive Secretary of the NSC, and to Edward Hamilton of the NSC Staff.

<sup>2</sup> Rusk informed British Ambassador Dean of this decision in a meeting on March 31 and Berger informed Australian Ambassador Waller in a meeting the same day. (Memoranda of conversation, March 31; National Archives and Records Administration, RG 59, Central Files 1964-66, AID (US) 15-6 INDON and AID (US) INDON) Thomson sent Rostow a background paper describing Assistant Secretary of State for Congressional Affairs MacArthur and his staff's briefings of key Congressional leaders about the impending decision on rice. All the briefed Congressional leaders either approved or had no objection. (March 31 attachment to a note from Thomson to Rostow, April 2; Johnson Library, National Security File, Country File, Vol. VI, 11/65-5/66) The proposal was attached, but is not printed.

This decision makes good sense. At the same time, however, I thought you—and perhaps the President—should be aware of some of the additional factors surrounding this recommendation:

1. There is a continuing argument between advocates of a PL 480 route and advocates of a straight export credit sale arrangement (with CCC guarantee of a letter of credit from the Bank of Indonesia). In the present decision, the PL 480 advocates prevailed on the grounds that such an arrangement would be speediest and would avoid a CCC guarantee of an apparently bankrupt bank. There is a question, however, whether this arrangement will be satisfactory to the Indos who would prefer a less conspicuous U.S. Government involvement and would probably regard the CCC route as the less conspicuous of the two.

2. A third route was also considered: U.S. financing of Thai rice for Indonesia. This, however, would have involved use of Supporting Assistance funds and, according to our lawyers, a Presidential Determination (under the Broomfield Amendment) that aid to Indonesia was in our national interest. Such a step would become public and would probably be an embarrassment to the Indonesians at this juncture.

3. The PL 480 route has some worrisome implications for the future: as you may know, cotton dealers have been attempting for some months now to obtain CCC guarantees for Indo letters of credit in order to push the sale of raw cotton to Indonesia.<sup>3</sup> Such dealers—and their supporters on the Hill—are apprehensive that the Government may opt for a PL 480 provision of cotton, rather than straight commercial sales under CCC guarantees. Our action on rice will increase the apprehensions of the cotton people and their supporters on the Hill.

**James C. Thomson, Jr.<sup>4</sup>**

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<sup>3</sup> Komer sent President Johnson a March 28 memorandum in response to a query from a lawyer friend of the President's, who was writing on behalf of client (a Texas cotton company and cotton growers cooperation). Komer explained that since the Bank of Indonesia was virtually bankrupt, a Commodity Credit Corporation (CCC) guarantee of cotton sales was tantamount to direct U.S. assistance. The chances of default by the bank were extremely high. To add to the problem, top Indonesian leaders like Suharto and Nasution had been saying for the past 6 months that they wished to avoid anything that looks like overt U.S. Government aid. For these reasons the Departments of State and Agriculture rejected the CCC arrangement. (*Ibid.*, Memos to the President, McGeorge Bundy, Vol. 21, March 1966)

<sup>4</sup> Printed from a copy that bears this typed signature.

# The United States and Suharto: April 1966–December 1968

## 206. Memorandum From Donald W. Ropa of the National Security Council Staff to the President's Special Assistant (Rostow)<sup>1</sup>

Washington, April 18, 1966.

### SUBJECT

#### The Current Indonesian Situation

The agreement to sell 50,000 tons of PL-480 Title IV rice to the Indonesian Government was signed yesterday and publicly announced today. This limited resumption of aid marks a turning point on the road back to cooperative relations now that Sukarno's power has been circumscribed. The change in the Djakarta atmosphere and the break with many of Sukarno's discredited policies continue to be reflected in the economic realism, a lessening of tension over Malaysia and the unabated drive to root out Communist influence from the ministries that have so far characterized General Suharto's new administration.

The Sultan of Djogjakarta has frankly outlined the chaotic state of the Indonesian economy and mapped goals for encouraging private enterprise and rehabilitating agriculture, textile and agricultural implement factories, and transportation. He has promised no easy solutions and called on the private sector as well as the government to practice simplicity in daily living.<sup>2</sup> There are other indications that the government may be preparing to return seized U.S. rubber estates to their owners.

Indonesia has moved to restore diplomatic relations with Singapore, which may portend a long range series of measures to ease the Malaysia confrontation, even while publicly reiterating that the policy of confrontation is continuing. The Singapore Government has welcomed the Indonesian decision to normalize relations and has moved to reassure the Government of Malaysia by declaring that it would

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VI, 11/65–5/66. Secret.

<sup>2</sup> In an April 22 memorandum to Rostow entitled "Forward Planning in the Far East," Ropa stated that the "short and long term prospects for Indonesia are not encouraging, and the new administration's version of economic realism may not produce results satisfying to younger elements seeking more rapid and radical solutions." Ropa saw "seeds of serious internal trouble" such as "undertones of Moslem theocracy" which could adversely affect development. Ropa suggested more attention to the "stirrings beneath the surface of the anti-Communist political momentum now at work." (Ibid., Files of Bromley K. Smith, Planning Talks)



consult on all matters where Malaysia's defense interests were affected. While the Tunku's initial reaction was relatively calm, he has subsequently attacked the move to normalize relations as a measure designed to further Indonesia's policy of confrontation. Lee Quan Yew is taking additional private steps to assure the Tunku that the normalization will not be directed against Malaysia. The Tunku remains suspicious over Sukarno's continuing influence on the confrontation policy, and this has tempered moves on his part that might contribute to a reduction in tensions. Meanwhile, Foreign Minister Malik is proceeding with plans to return Indonesia to the United Nations and rejoin other international bodies despite Sukarno's public denial that this would take place.

Internally, the unabated drive against remaining Communist sympathizers in government ministries has been augmented by the initiation of a concerted campaign against the Chinese residents in Indonesia. The sacking and burning of the Chinese Communist Embassy and related pressures against the Chinese without official Indonesian restraints indicate to our Embassy that the new leaders in Indonesia may be attempting to force Peking to break relations with Indonesia.<sup>3</sup>

These events are indicative of the gradual movement now taking place on a broad front to reverse Sukarno's policies. Sukarno continues to be isolated and insulated from the policy decisions that are being taken by the Suharto administration, and the evidence continues to accumulate that this latest in the successive military efforts to circumscribe Sukarno's power is finally succeeding.

Our policy continues to be one of restraint in projecting more expansive aid, while we continue to monitor the measures being undertaken by Indonesia to rationalize economic policies. We continue to believe that too rapid an acceleration in restoring our aid program would work against the economic reforms that are considered essential.

D. W. Ropa<sup>4</sup>

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<sup>3</sup> The Office of Current Intelligence of the CIA prepared an intelligence memorandum, SC No. 00763/66A, April 1, entitled "Peking's Setback in Indonesia," which suggested that the elimination of pro-Communist elements from power in Djakarta and the reversal of Sukarno's pro-Chinese policies represented the most serious recent setback for China. In OCI No. 1352/666, April 29, the Office of Current Intelligence suggested that the PKI would probably survive as an underground organization, but its effectiveness as a national political force would be virtually nil. (Johnson Library, National Security File, Country File, Indonesia, Vol. VI, 11/65–5/66)

<sup>4</sup> Printed from a copy that bears this typed signature.

**207. Memorandum From James C. Thomson, Jr., of the National Security Council Staff to the President's Special Assistant (Rostow)<sup>1</sup>**

Washington, May 4, 1966.

**SUBJECT**

The VP's Inquiry about Cotton for Indonesia

This is a murky subject on which State sounds bureaucratic but is probably right, for the time being.

We do have a sizeable cotton surplus, and it would be good for us and for them if we were to unload some of it on the Indos. The two possible routes are (1) PL 480 Title IV, and (2) commercial sales, with CCC guarantee of an Indo letter of credit.

Prior to the recent PL 480 rice deal, we resisted both possibilities on the say-so of Suharto/Nasution (who didn't want their struggle with Sukarno complicated by any visible U.S. government involvement).

Our present aim is both to meet bona fide Indo emergency needs *and* to push the Indos toward doing more than living off the dole (ergo, tidying up their house, planning, organizing multilateral aid, etc.).

So far, State has been reluctant to follow up too closely on the rice deal with a cotton deal; but the prediction is that a PL 480 cotton deal is probable within the next two months. (See attached overly caustic Deptel 1325 to Djakarta.)<sup>2</sup>

As for CCC guarantee of Indo letters of credit: the Bank of Indonesia is still patently and totally bankrupt, and a CCC guarantee of a bankrupt bank would be de facto foreign aid—which Agriculture is so far anxious to avoid.

In addition, while the PL 480 route permits a fair profit to U.S. rice brokers and shippers, under USDA supervision, the CCC route permits rather exorbitant profits to Indo middlemen and (if they can collect) U.S. dealers. Some dealers, I am told, actually prefer the PL 480 safe-and-sure arrangement. But there are obviously conflicting viewpoints here.

**James C. Thomson, Jr.<sup>3</sup>**

<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VI, 11/65-5/66. Secret.

<sup>2</sup> Dated April 29. (National Archives and Records Administration, RG 59, Central Files 1964-66, AID (US) 15-1 INDON)

<sup>3</sup> John De Luca signed for Thompson above Thompson's typed signature.

**208. Editorial Note**

At the 557th Meeting of the National Security Council on May 10, 1966, Ambassador to Vietnam Henry Cabot Lodge stated: "the recent overthrow of the Communists in Indonesia is a direct result of our having taken a firm stand in Vietnam." For the complete account of the report of the meeting, see *Foreign Relations, 1964–1968*, volume IV, Document 135.

According to a memorandum from Deputy Director of Central Intelligence Richard Helms to Walt Rostow, May 13, President Johnson asked for a study analyzing the relationship between the Indonesian crisis and U.S. determination in Vietnam. (Johnson Library, National Security File, Country File, Indonesia, Vol. VI, 11/65–5/66) Helms submitted to Rostow for the President an Intelligence Memorandum, OCI No. 0815/66, May 13, which stated: "we have searched in vain for evidence that the U.S. display of determination in Vietnam directly influenced the outcome of the Indonesian crisis in any significant way." The Central Intelligence Agency's Office of Current Intelligence concluded that the Indonesian coup "appears to have evolved purely from a complex and long-standing domestic political situation." The memorandum did acknowledge, that "in a strategic sense, it is possible—though there is no evidence for this—that US determination in Vietnam did indirectly have some influence in shaping events in Indonesia." The memorandum suggested that without US intervention, most of South Vietnam would have been in Communist hands and China would have dominated Southeast Asia. Such a situation would have encouraged Sukarno to accelerate his program to the point where the Army leaders would have had to accede to his power. Still, the memorandum ended with the statement that "no Indonesian leader among those now in ascendancy has ever given any indication that he viewed the situation in this way." (Ibid.)

**209. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, May 27, 1966, 0505Z.

3294. Ref: Embtel 3261 (Notal).<sup>2</sup>

1. My scheduled hour meeting with General Suharto May 26 ran 20 minutes overtime, with General Suharto taking lead on each of rubrics mentioned reftel. Though Suharto understands English fairly well if spoken clearly and slowly (which I did) he insists on use of interpreter which almost halved amount of ground we could cover.

2. US-Indo Relations. Suharto, who seemed buoyant and confident, spoke of success in crushing Communists and other gestapo elements but there is still a job to be done. Many Communist cadre still at large. His government determined stamp out communism, establish law and order, and give full expression to Pantjasila which Suharto mentioned several times as being the key philosophy and uniting factor amongst Indonesians. Main danger government faced was economic. One only had to travel through central and east Java, he continued, to see grinding poverty of that area (in some places people growing rice in earthen pots to scrounge a few extra liters of rice per year). Unless something could be done to alleviate suffering of people, door would be open for resurgence of communism. At this point Suharto outlined his scheme for relieving Java population pressures and increasing Indonesian export earnings by transporting people from Java to Borneo to cultivate rice and develop forest industries, a project which General Tasmin had already described to DefAtt, and which we have reported. Like Tasmin, Suharto made pitch for US support for this project even going so far as to add his hope that we could furnish some LST's since building port facilities too time-consuming and costly.

3. I replied there were a number of things we would both have to consider in connection with this proposal. First there was the problem of resuming a US aid program in Indonesia: so far his government had not asked us for any aid and if it did, our administration would have to go to Congress to request funds for program for Indonesia. It would, of course, be in both our interests that such request be against background of improving relationships and improved handling of Indo economic problems. Secondly, we would both have to consider kinds

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US. Secret. Repeated to Bangkok, Canberra, CINCPAC for POLAD, Kuala Lumpur, London, Manila, Saigon, Singapore, and DOD.

<sup>2</sup> In telegram 3261 from Djakarta, May 23, Green reported he had an appointment with Suharto and listed the topics for discussion. (Ibid.)

of assistance most useful to Indonesia. I was most sympathetic to Java's poverty problem. We had supported at one time, until Sukarno told us to go to hell, a successful food for work project. In my personal estimation, such project might have a high priority in meeting the problem he mentioned. As far as Kalimantan's development concerned, he might also wish to keep in mind advantages of assistance from foreign private capital in opening forest and other industries. Support might well come in larger amounts and more quickly from foreign private rather than foreign government sources.

4. Suharto replied that opportunities for expanded agricultural production in central and east Java were very limited. I questioned this but acknowledged there was also need for development of Kalimantan and other outer islands. We agreed these were all things we should talk about more.

5. Containment of China through SEA Cooperation. Discussion of this topic revolved almost entirely around confrontation issue, with Suharto attempting to defend Indonesian policy along conventional GOI lines of argumentation but ended with a firm statement of Indonesia's intention now to bring confrontation to close. He expressed hope that Bangkok talks would provide satisfactory solution based on Manila Agreement, but that this would require give and take on both sides. Sole reason Suharto advanced for GOI desiring end of confrontation was in order pave way for closer association with neighboring countries against menace of Communist China. However, he argued this point with real conviction.

6. I said we welcomed ending of confrontation for reasons he cited as well as others. As far as Peking concerned, it had ever since late summer 1963 greatly welcomed Indonesian confrontation policy which served to divide and weaken areas over which Peking sought to extend domination. I referred to intelligence reports about how Chen Yi, on visit to Indonesia in Aug. 1965, had pressed for continuation of confrontation and non-recognition of Singapore and Malaysia. Peking seemed genuinely concerned at that time that Indonesia might be tiring of confrontation policy, and in any event Peking wanted to isolate Singapore from Malaysia and Indonesia in order to weaken its economy and promote rise of the Barisan socialists. I said Suharto had earned much respect around the world for the way he is seeking good relations with all Indonesia's neighbors in this area. This would serve Indonesia's best political, economic, and strategic interests. I trusted nothing would be allowed to happen to interfere with accomplishment of settling matter so much in Indonesia's interests and so contrary to objectives of Peking.

7. Ways and Means of Ending Vietnam War. Suharto spoke very briefly on this subject, emphasizing GOI's desire to see end of war in

Vietnam. He pointed out that Indonesian mission to Hanoi last year had returned with impression that Hanoi had divided feelings as between Peking-oriented communism and Vietnam nationalism. Suharto asked what I thought the chances were of a peaceful solution.

8. I described Peking as seeking to keep war going in order to undermine economic and political order so as to pave way to extending Chinese hegemony over that area. Peking also seeking to bring about humiliating defeat of US and force withdrawal of American power from Southeast Asia thus leaving area exposed to Peking dominance. I didn't think USSR would be helpful in bringing about peace. Even though it might well desire to see hostilities ended, it feared being labeled by ChiComs as soft and revisionist which evidently Moscow feels would weaken its position with certain Communist parties. Key to peace lay with Hanoi, and it was our policy to make peace attractive to Hanoi while at the same time aggression prohibitively costly. We are using minimum of force to this end but we will not be deterred from using such force as is necessary to uphold our commitments and help protect South Vietnam and, indeed, many other countries from Communist aggression from North. I also gave brief account of current events in South Vietnam drawing on gridiron report and other materials.

9. Suharto reiterated his government's hope that peace could come to Vietnam and to all of Southeast Asia. I said I hoped his government could make this point with Hanoi, since it is up to Hanoi to respond to the many overtures from our side supported by countries all around the world.

10. Suharto once again said that he hoped negotiations for ending confrontation would work out satisfactorily so as to pave way for closer unity with its neighbors including Thailand and Laos. I said I hoped we could keep in touch on these matters. I would be glad to furnish him with information or briefing materials and we would be most interested to have his views at any time.

11. *Comments:* Significantly, Suharto emphasized Pantjasila rather than Sukarno as Indonesia's unifying force and he did not refer to Sukarno once either directly or indirectly. I was disappointed he devoted so much time and emphasis to his Kalimantan project. He must know my views on this since Malik had already taken it up with me. However, it is a project dear to Suharto's heart, and, since Suharto is key figure in Indonesia, we will have to give considerable thought to anticipated future pressures for assistance in this project.

12. It was a useful overall exchange, most heartening for Suharto's clear awareness of Peking's threat to SEA. He referred throughout to China as "the enemy." This does not mean Indonesian willingness to abandon non-alignment but it does imply broader Indonesian associa-

tion with countries that can be of assistance to Indonesia strategically as well as economically.

Green

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**210. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, June 8, 1966, 2:35 p.m.

Mr. President:

State is anxious that you read the attached paper on Indonesia.

It's an excellent summary of the evolution of Indonesia and our policy since October 1 of last year.

The operational point is this (see pp. 4–6): if they get Sukarno out soon, we may well face the following aid issues:

- Further emergency aid (P.L. 480).
- Multilateral debt rescheduling.
- Basic long term assistance (mainly European, Japanese, multilateral, but perhaps some U.S. bilateral).
- Conceivably, some very small military assistance for training and civic action.

Forward planning on this has been remarkably good, even to keeping key Congressional leaders informed. Thus far, they have been sympathetic.

The town wished you to be informed.

No decision required, unless you wish to give guidance.

Walt

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VII, 5/66–6/67, [1 of 2]. Secret. The memorandum indicates the President saw it.

## Attachment

### Paper Prepared in the Department of State

#### INDONESIA

##### *Background*

1. Last October 1 the Indonesian Communist Party associated itself with elements of the armed forces to stage a take-over of the Indonesian Government which was promptly suppressed by the Army. Between October 1 and the middle of March of this year the Communist Party was virtually eliminated as an effective political organization, perhaps as many as 300,000 Indonesians were killed—the great bulk of whom we believe were in fact associated with the Communist apparatus. Political power gradually shifted from President Sukarno and his Palace clique toward the Army, the Muslim political parties, and anti-Communist students.

2. In February and March Sukarno attempted to seize full power again, was unable to do so, and was forced to accept a new cabinet which was controlled by the Army and by political moderates. By the end of March there was a new government dedicated to economic and social reform, most of Sukarno's foreign policy had been publicly challenged or was being ignored, and the triumvirate of General Suharto, the Sultan of Jogjakarta and Adam Malik took effective, though not yet complete, power.

##### *Present Situation—Domestic*

3. In the past two months the new leaders have moved with surprising speed to consolidate their power and to start on the long process of putting together the almost totally shattered Indonesian economy. The Communists seem to be effectively out of power, but Sukarno remains as a President still having the capacity to limit and interfere with the activities of government. The government has, despite this, instituted new export incentive programs, started to funnel Indonesia's export earnings through the Central Bank, and succeeded in at least slowing down price inflation of rice and certain other basic commodities. The economy is still in a chaotic condition, and the leadership feel that unless they can succeed in providing adequate food and clothing to the population their efforts to develop a rational political system cannot succeed.

##### *Present Situation—Foreign*

4. Although still limited by the continued presence of Sukarno, the new government has made very substantial changes in foreign policy. It has announced to its own people that it intends to re-join the



United Nations and other international organizations at some time in the fairly near future. It has entered into a preliminary agreement seriously intended to end confrontation with Malaysia and Singapore.<sup>2</sup> It has attempted to restore normal working relations with all western countries and with Japan, has started to close out its mischief-making presence in Africa, and has virtually broken relations with Communist China. In Bangkok last week, Indonesian representatives joined in expressions of interest in a loose-jointed grouping of Southeast Asian states to include initially Malaysia, the Philippines, Thailand, and Indonesia.

5. The new regime has completely put an end to anti-American expressions in Indonesia. Although it continues publicly critical of our Viet-Nam policy, Malik has privately expressed some understanding of our position, and there have been some reciprocal propaganda attacks between North Viet-Nam and Indonesia. In another aspect significant to the U.S., the regime has decided against further efforts to take over American petroleum company facilities which produce and export crude oil, and seems to be negotiating in good faith for the purchase of the one remaining American refinery (STANVAC).

*Probable Future Developments*

6. The leaders' intentions are to continue to whittle away at Sukarno, using as a next step the mechanism of the "People's Parliament," which is due to meet for about three weeks starting in mid-June. The leaders intend to use this session to remove Sukarno's life-time tenure on the presidency, to remove his special powers so that he will become the figurehead, to secure formal approval of a settlement with Malaysia, and in general to put the country's up to now rather nominal legislative process firmly behind the new leadership. Having accomplished these things, hopefully by mid-July, the intention is to install a new working cabinet free of the last of Sukarno's henchmen, and then to move full scale into economic rehabilitation. Other basic decisions such as the dates for re-joining international organizations will probably be deferred until this time.

7. Despite its apparent willingness to cease its aggressive policies in the area—which the new regime recognizes as essential to external assistance among other factors—we should not expect the new leaders to be anything but intensely nationalistic, non-aligned, and "Afro-Asian" in their orientation. Nonetheless, the contrast between these

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<sup>2</sup> Telegram 2645 from Bangkok, June 3, contains a summary account of the talks between Indonesian and Malaysian Delegations headed by Malik and Razak, which resulted in the draft agreement to end confrontation. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 32–1 INDON–MALAYSIA)

policies and those of Sukarno, or those that would have been pursued by the totally Communist-oriented regime that appeared to be in prospect, is dramatic. All in all, the change in Indonesia's policies has been a major "break" in the Southeast Asian situation, and a vivid example to many other nations of nationalist forces rising to beat back a Communist threat.

#### *U.S. Interest and Objectives*

8. Our traditional interest in Indonesia has been to keep the country out of the hands of Communists and out of the potential control of Communist China. As the Sukarno regime moved more and more under Communist and Chinese influence prior to October 1965, the United States inevitably became the number one officially pronounced enemy of the Sukarno regime, and was billed as the only threat to Indonesia's national security because of the presence of American forces in the Philippines, the South China Sea, Viet-Nam, and Thailand. The marked pro-Communist trend in Indonesia—accelerated in mid-1963—undoubtedly rested in part on the conclusion that the U.S. was losing ground in Southeast Asia. Conversely, although the U.S. had no direct part whatever in the anti-Communist takeover that began in October, unquestionably the fact that we were standing firm in Viet-Nam reinforced the courage of the anti-Communist leaders; to put it differently, without our evident determination, they would have been very much less likely to have acted.

9. Our basic interest in Indonesia still derives from its tremendous size, its population of more than 100,000,000, its location between the Pacific and the Indian Ocean, and between Australia and the mainland, as well as from its potential usefulness as a productive and influential state which could serve as a unifying and constructive force in the area. Our objective should be to help as we can in the development of a responsible, moderate and economic-minded regime. Only such a regime can prevent the resurgence of some form of extremism and, over time, play a useful part in the area.

#### *U.S. Actions to Date*

10. Until late March, our major policy on developments in Indonesia was silence. The anti-Communist leaders wanted no cheers from us. This policy remains generally sound, particularly in the light of the wholesale killings that have accompanied the transition (even though it is perfectly clear that a Communist takeover would have been at least as bloody). Nonetheless, we have recently been quietly pointing out that we take a favorable view of the new regime and have also been noting that its succession would have been less likely without our continued firmness in Viet-Nam and in the area. We should continue to applaud and claim credit only to this extremely limited extent.

11. While continuing this public position, we have throughout made it privately clear that we are ready at the right time to begin making limited material contributions to help the new leaders get established. Our AID programs had been entirely terminated in Indonesia, but we have (in mid-April) agreed to sell them 50,000 tons of rice under PL 480 Title IV (dollar repayment) on terms of 4-7/8 per cent interest with five years repayment. We are now beginning action on a Title IV sale of 75,000 bales of cotton on more generous terms, 3-1/2 per cent interest with 15 years repayment. We have quietly made it known we will support their efforts to reenter international organizations, and that we will participate in multilateral efforts to reschedule their debt at an appropriate time. We have encouraged other free world countries to extend emergency assistance to Indonesia in order to help the new regime establish itself in the period before the questions of debt rescheduling, stabilization and development can be dealt with.

*Future U.S. Actions*

12. If the new leadership succeeds in effectively removing power from Sukarno during the next month, it will then turn its efforts toward the economy. There are a number of points at which U.S. assistance will be needed.

a. *Further Emergency Aid.* There will be a probable need for further short-term assistance to keep the economy going prior to multilateral decisions on long-term problems. Our role in this can be played by further transactions under Public Law 480. While we have been providing assistance under Title IV on concessional terms, we should plan to switch to Title I (local currency repayment) if the political situation stabilizes, in order not to add further to Indonesia's already overwhelming foreign exchange debt.

b. *Multilateral Debt Rescheduling.* Indonesia has a foreign debt of more than \$2.5 billion. Approximately \$170 million of this is owed to us, and about \$1 billion to the Soviet Union, mostly military. Debt servicing requirements this year may amount to about \$450 million, which is more than probable gross foreign exchange earnings for the same period. Since Indonesia is already in default on both private and government accounts, rescheduling is obviously necessary. We have been in close touch with Indonesia's free world creditors, have made it clear that we regard it as essential that rescheduling be multilateral, and that we would like to see some other country, such as Japan, or an international organization, play the leading role in organizing the rescheduling exercise. The Sultan of Jogjakarta and various of his and Malik's representatives have recently visited Japan and obtained a commitment for credits of \$30 million as emergency aid. The Sultan plans to visit Western European countries in July. Other representatives plan to visit the USSR and EE countries. It now seems probable that

the Indonesians will be ready for formal multilateral consideration of the debt in late July or August. The probable Indonesian proposal will be along the lines of a five-year moratorium—which among other things defers such knotty issues as the priority status of military as compared to economic debts. We should be prepared to participate, and to agree to rather generous terms provided we do so in a framework taking account of interests of all creditors.

c. *Basic long-term assistance.* Beyond emergency aid and debt re-scheduling, Indonesia is going to need both technical assistance and further credits if the country is going to get back on its feet. However successful their performance in restoring integrity to the Central Bank, cutting government deficit financing and promoting production and exports, it is quite likely that by the fall of this year the ability of the new government to preserve its authority will depend upon access to substantial foreign credits to rehabilitate both industry and agriculture, as well as to restore the badly damaged communications and transportation systems. Much of this needed credit can be obtained from Japan, from Western Europe, and very probably from such international organizations as the IMF, the IBRD, and (later) the Asian Development Bank. We have already made it clear that we expect long-term assistance to be on a multilateral basis, and the willingness of other sources to contribute substantially will be affected by the U.S. contribution. Hence, we believe we should be prepared to pledge significant amounts, and the need for such pledges may arise sometime in the fall if the constructive trend in Indonesia continues at its present pace. Hence, it is conceivable that we will need substantial 1967 AID funds, both for direct assistance and for channeling through the Asian Development Bank. The debt situation will foreclose the Export-Import Bank as a source of additional assistance, and our only other channel would appear to be additional PL-480 commodities on concessional terms amounting to assistance.

d. *With respect to military assistance,* the Indonesian Army is excessively large and amply equipped for internal security. We should not consider resuming any military assistance programs except for a possible small-scale training effort largely for the sake of personal ties with key military figures of the future. There is the additional possibility of civic action projects, on which the Indonesians are already tentatively approaching us for technical help in the development of the resources of the underpopulated outer islands. This kind of project might make sense in the total picture, for limited MAP and AID funding.

#### *U.S. Government Organization With Respect to Indonesia*

13. Up to this point, the Indonesian problem has been effectively handled on a normal inter-agency basis. Moreover, we have kept in touch with key leaders of Congress, who appear to understand the

situation and its possible implications. The fact that any major assistance would be on a multilateral basis would have particular appeal in many Congressional quarters.

14. Nonetheless, in view of the impending dimensions of the problem in the next six months, it now appears wise to initiate more extensive consultations with the Congress, and it may be wise to designate a specific group within the Executive Branch—perhaps as a subcommittee of the Senior Interdepartmental Group—to keep the problem under very close review.

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## 211. Memorandum Prepared for the 303 Committee<sup>1</sup>

Washington, June 17, 1966.

### SUBJECT

Supply of Additional Communications Equipment to Key Anti-Communist Indonesian Army Leaders

#### 1. Summary

The purpose of the original operational proposal approved by the 303 Committee on 17 November 1965<sup>2</sup> was to assure during a period of national turmoil emergency communications capabilities for selected Indonesian Army officers. This system was to provide adequate communications between these anti-Communist officers and subordinate headquarters in areas most susceptible to dissidence and rebellion.

On 26 February 1966, representatives of an intelligence organization responsible to General Nasution and attached to the former Armed Forces Staff (SAB), requested that High Frequency (HF) communications equipment be provided for a special link between that intelligence organization, General Nasution and General Suharto. [*less than 1 line of source text not declassified*] were diverted for this purpose from the stocks assembled [*less than 1 line of source text not declassified*] in Djakarta to establish the emergency communications system.

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<sup>1</sup> Source: National Security Council, Special Group/303 Committee Files, Subject Files, Indonesia. Secret; Eyes Only.

<sup>2</sup> See Document 175.

With the concurrence of Ambassador Green, General Suharto was advised on 12 May of the availability of *[less than 1 line of source text not declassified]* for use in communication with his principal commands. He was asked to designate communications officers to supervise receipt of this equipment. General Suharto expressed enthusiasm and arranged for Indonesian army technical personnel to be available for briefings on the equipment by *[less than 1 line of source text not declassified]* communications specialists. Discussions were held on 2 and 3 June between these *[less than 1 line of source text not declassified]* personnel and Assistant to the Chief of Staff SUAD IV (Logistics) General Hartono, Director of Army Communications, General Suhardjono, and his Deputy Colonel Soerhadji. Suhardjono asked why only *[less than 1 line of source text not declassified]* were being provided, since actual establishment of a full net of reliable communications with all 17 Military Areas (KODAM) and other key headquarters would require a total of *[less than 1 line of source text not declassified]*.

This request for additional equipment has the support of the U.S. Ambassador to Indonesia, and is concurred in by the State Department's Bureau of Far Eastern Affairs.

The factor of risk in delivery has been considerably lessened by the substantial diminution in both numbers and authority of leftist and pro-Sukarno elements in the Indonesian Government. Nevertheless, delivery will be accomplished through *[1 line of source text not declassified]*, and appropriate security measures will be observed when making deliveries to the ultimate recipients. The Indonesians still cannot ostensibly or actually purchase this equipment in the U.S. without seeking exception to the U.S. export license controls, and inferring a more intimate relationship with U.S. Government officials than is desirable at this juncture. Exposure of this activity might provide President Sukarno and residual leftists in the Indonesian political scene with embarrassing ammunition to use against General Suharto and his associates.

## 2. Problem

The requirement is to provide on an urgent basis, the present Indonesian Army leadership with sufficient additional *[less than 1 line of source text not declassified]* to enable secure voice and CW communications with all major subordinate commands. This equipment will provide a system of communications between anti-Communist military leaders for use under conditions of unrest and rebellion, at a time when normal communications channels may be manned or usurped by politically unreliable personnel.

## 3. Factors Bearing on the Problem

The equipment described for previous 303 Committee consideration was not provided to the Indonesians as originally recommended.

The [less than 1 line of source text not declassified] proposed has been so recently developed that the protection of the relationship between the United States Government and the Indonesian Army could not be assured.<sup>3</sup> The scope of the emergency communications system was restricted to [less than 1 line of source text not declassified] alone.

a. *Origin of the Requirement:* The request for supplementary equipment was made [less than 1 line of source text not declassified] by General Suhardjono, Director of Indonesian Army Communications, and was endorsed by the U.S. Ambassador to Indonesia.

b. *Pertinent U.S. Policy Considerations:* On 17 November 1965, the 303 Committee approved the provision of emergency communications equipment to key anti-Communist Indonesian Army officers.

c. *Operational Objectives:* Despite the apparent ascendancy of General Suharto and his political and military associates, substantial fragmentation is evident within political pressure and military organizations. An undeterminable proportion of this fragmentation is taking place at the behest of President Sukarno and his adherents. Should an open break take place between the Suharto and Sukarno elements, an emergency communications system with all major military headquarters will be of the utmost importance in assisting the Indonesian Army to prevent a return to the pro-Peking policies of President Sukarno. This communications system will provide for effective troop deployment, and will assist in assuring the security of moderate Indonesian military and civilian political elements.

d. *Equipment:* The specific equipment required to satisfy General Suhardjono's request is:

[10 paragraphs (10 lines of source text) not declassified]

Of the needed equipment, none is in stock. Some can be readily procured, but [less than 1 line of source text not declassified] will probably require some form of U.S. official procurement priority.

e. *Risks Involved:* Revelation of the United States role in this program could provide President Sukarno and his political affiliates with an exploitable excuse for crisis. Caution will be exercised in all aspects of implementing this program to assure a minimum of risk of revelation. [3 lines of source text not declassified] Covert delivery to the intended recipients has been arranged.

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<sup>3</sup> A request of January 14 was denied by the 303 Committee. McGeorge Bundy "stood by his guns" and suggested that "he had never been able to make his point successfully to CIA that denial was not the equivalent of political denial." Bundy felt sure, despite the assurances of Green and others, that Japanese communications equipment was far better than the latest equipment available on the U.S. market. (National Security Council, Special Group/303 Committee Files, Minutes, 1/20/66) The denied proposal made to the 303 Committee, January 14, is *ibid.*, Subject Files, Indonesia.

f. *Training*: The [less than 1 line of source text not declassified] communications specialist to whom the request for additional equipment was broached, will provide such additional training in the use of the equipment and the establishment of the network as may prove necessary.

g. *Funding*: The overall cost of the additional increment of [less than 1 line of source text not declassified] is estimated at [less than 1 line of source text not declassified]. Funds are available [less than 1 line of source text not declassified].

#### 4. *Coordination*

This operational proposal has been endorsed by the U.S. Ambassador to Indonesia and has been concurred in by the State Department's Bureau of Far Eastern Affairs, which recommends approval.

#### 5. *Recommendation*

That the 303 Committee approve this proposal.<sup>4</sup>

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<sup>4</sup> On June 24 the 303 Committee approved this proposal. There was a general agreement, according to the minutes, that the current circumstances were different than in January 1966, given the decimation of the PKI. (Ibid., Minutes, 6/24/66)

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## 212. Memorandum From Donald W. Ropa of the National Security Council Staff to the President's Special Assistant (Rostow)<sup>1</sup>

Washington, July 9, 1966.

### SUBJECT

Where We Are in Indonesia

The outcome of the much-heralded MPRS (Consultative Congress) session was largely as predicted, although Sukarno once again eluded the net of those who wanted to put him permanently out of business.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VII, 5/66-6/67, [2 of 2]. Confidential. The following handwritten note appears on the memorandum: "BKS [Bromley K. Smith]: Note NSC suggestion. DR [Donald Ropa]." There is a check mark through Rostow's name.



Our Embassy assesses *the MPRS decisions as a substantial step forward* in the long process of de-Sukarnoization, but it acknowledges that even the marginal room for political maneuver left Sukarno will keep the political pot simmering.

Marshal Green has promised us three stock-taking appraisals at this juncture: (a) an assessment of short-term prospects over the next three months; (b) implications for U.S. policy; and (c) Embassy recommendations on next moves in the assistance field. The first of these is in, and this is attached in case you have not seen it.<sup>2</sup>

*On the economic front.* Green believes Indonesia can rock along the next three months without a serious economic crisis on the basis of ad hoc measures and the \$60 million in emergency foreign exchange credits received from Japan, Germany, Britain and the U.S. He considers it essential, however, that in this time frame the Indonesians finally clarify their own thinking, improve their economic planning apparatus and move into a position where they can effectively attack their deep-seated economic problems.

Both Malik and the Sultan have sent letters to Secretary Rusk via Widjatmika which ask that our AID programs be declared applicable again (in effect a request for a Presidential determination on Indonesian aid), present a shopping list of urgently needed goods valued at \$495 million, and raise the question of Malik and possibly the Sultan meeting personally with the President, Vice President and Rusk in September following Malik's trip to Moscow.

We have told Widjakmika that *Malik would be welcome* (without discussing dates or committing a session with the President), we want to be helpful on aid, particularly in multilateral debt rescheduling, *but much still depends* on the formation of a strong and effective government capable of using outside assistance.

Meanwhile, the IMF team has completed its preliminary survey, Indonesia has formally applied for re-admission to the IMF and IBRD, and substantive agenda discussions among Indonesia's creditors are tentatively set in Tokyo on July 12.

For our part, at Green's earlier urging, *we are moving to resume the participant training program* on a modest scale, separating this out from broader questions of aid resumption. Even *this, however, will require a Presidential determination* under 620 (j) of the Foreign Assistance Act of 1961 and Section 118 of the Appropriations Act of 1966. *But it makes good political sense* to prepare the Congressional atmosphere in this

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<sup>2</sup> Telegram 107 from Djakarta, July 7. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 2-3 INDON)

manner for the later resumption of larger aid. (A memo on this is in preparation.)

*On the political front.* The key is the complexion of the new cabinet now in formation. Green believes prospects are good that Suharto will prevail with a streamlined group *dominated by capable technicians*. We should know in two to three weeks. Green anticipates a *more forceful Suharto* now that the MPRS has confirmed his powers, but tension involving Sukarno and the political parties is probable.

You have asked about *political development* in Indonesia. I have some preliminary observations in preparation and have asked both CIA and INR for their appraisals of the shape of political forces now at work.<sup>3</sup>

*On the foreign front.* Green sees *de facto end of confrontation, return to the UN and the re-building of Indonesia's ties to the non-Communist world* as controlling objectives. However, the MPRS did not specifically endorse the Bangkok Agreement ending confrontation, Indonesia still is maneuvering around that agreement, and the *next steps are unclear*.

#### *Recommendation*

Once Green's remaining two stock-taking messages are in and digested it may then be desirable to consider placing *Indonesia on the agenda for NSC discussion*. Earlier, this was premature. We are approaching that point now where NSC discussion might be optimally useful.

**Don Ropa**

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<sup>3</sup> On June 29 the CIA's Office of Current Intelligence prepared Intelligence Reference Aid No. 1586/66 on "Indonesian Youth Groups," which provided brief background information on the role of students and youth groups in the Indonesian Nationalist movement. (Johnson Library, National Security File, Country File, Indonesia, Vol. VII, 5/66-6/67, [2 of 2]) On July 23 the Office, in coordination with the Office of National Estimates and the Deputy Directorate for Plans, prepared Intelligence Memorandum No. 1591/66, "Political Forces in Indonesia." This memorandum stated that the army held the ultimate power in Indonesia and although military leaders were prepared to permit a voice to non-Communist civilian political elements, they hoped to limit their activities so they did not endanger the policy developed in response to the October 1965 coup. Indonesia's Government was dominated by the triumvirate of Suharto, Malik, and the Sultan of Jogjakarta, who planned to name a cabinet before August and hold elections in 2 years. The most pressing problem in Indonesia was its poor economic situation. (Ibid.)

**213. Memorandum From Donald W. Ropa of the National Security Council Staff to the President's Special Assistant (Rostow)<sup>1</sup>**

Washington, July 11, 1966.

**SUBJECT**

Limited Resumption of Aid to Indonesia—Presidential Determination

Marshall Green has now given his *recommendations for short-term assistance* to Indonesia (Djakarta Embtel 144, attached).<sup>2</sup> He argues *convincingly* for specific, limited measures designed to meet urgent economic and political requirements over the next three to four months. He believes any *recommendations for the longer haul are difficult*, subject to continuous revision, and still depend on the outcome of debt rescheduling and further evidence of how effective Indonesia is moving to solve its own problems and handle its international relations (i.e. confrontation).

*Green's short-term proposals avoid involving us too deeply and prematurely while laying the groundwork for subsequent assistance. They are:*

1. Resumption of participant training (recommended earlier);
2. Additional cotton sales up to 100,000 bales for third country processing, plus the supply of rice as available to help meet possible 500,000 ton shortfall;
3. Food for work under Title II, PL-480;
4. Modest amount of spares to rehabilitate previously supplied military equipment to support highly selected civic action activity;
5. Equally modest spare parts to reactivate U.S. equipment in the general economy.

*Green favors a Presidential Determination forthwith to activate student and participant training; he would await the formation of the new cabinet (two to three weeks hence) to begin implementing the other proposals.*

*State's Position*

*Sympathetic, except for the military items which they believe should be deferred a while longer pending further clarification on confrontation.*

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VII, 5/66–6/67, [2 of 2]. Confidential. There is a check mark through Rostow's name indicating that he read the memorandum. Attached to this memorandum was the following note: "Walt: Incidental intelligence re the attached—Bill Bundy says Fulbright could not have been more understanding—that there was no other course we could follow under the circumstances—and he understood and approved!! Bill [William Jorden]"

<sup>2</sup> Dated July 9, not attached. (National Archives and Records Administration, RG 59, Central Files 1964–66, AID (US) INDON)

They are advising Green to this effect, stating that the Presidential Determination is under review.

### *Participant Training*

Indonesia's new education plans stress elimination of the influence of 10 years of PKI domination. Green sees this requiring a major effort, warranting our support, with its success representing perhaps our most important investment in Indonesia's future. The limited stable of first rate economists, who are now assuming top level responsibility, were trained at Harvard, Stanford and the University of California before the program was halted in 1964. Indonesia's ban on travel to the U.S. for study was lifted in June; there is a reservoir to draw on of 200 cases fully processed before the ban; new selection criteria and procedures pose no great difficulties.

*The clear advantage of seeking the resumption of aid through a Presidential Determination that focuses primarily on the re-activation of participant training is the probable smooth sailing it would have with Congressional leaders.* It would pave the way for other forms of aid later as feasible and desirable. State believes the favorable psychological reaction in Indonesia would be considerable.

### *Presidential Determination*

The legislative language and history affecting the President's authority on Indonesian aid (summary attached)<sup>3</sup> make clear that the PD is necessary for any *new* bilateral assistance. Some lawyers at AID believe participant training could possibly be resumed without a PD, but we risk compromising our longer range aid posture with Congress by going this route; in any event the legislative intent can now be satisfied.

More immediately, before proceeding with the PD, the Hickenlooper restriction must be dealt with on the expropriation without compensation of six U.S. firms in Indonesia, plus arrears of \$13 million in Indonesian debt to the U.S. private sector. The expression of Indonesia's constructive intent may be adequate here, and State is advising Green what must be done.

### *Options on the PD*

1. We can process this separate from the forthcoming NSC discussion on Indonesia and possibly gain some time in responding to Green's request for quick action, or

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<sup>3</sup> Dated June 14. (Johnson Library, National Security File, Country File, Indonesia, Vol. VII, 5/66-6/67, [2 of 2])

2. We can include the PD in the NSC discussion and relate it to that broader review of the Indonesian situation and our future policies.

Do you have a preference for either of these alternatives?

**Don Ropa**

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**214. Intelligence Note From the Director of the Bureau of Intelligence and Research (Hughes) to Secretary of State Rusk<sup>1</sup>**

No. 468

Washington, July 25, 1966.

**SUBJECT**

The New Indonesian Cabinet—A Setback for Sukarno

The new cabinet whose composition was announced by General Suharto on July 25 represents a major step in the campaign to ease President Sukarno out of effective power and into a figurehead role. Although Sukarno fought hard to induce the MPRS (Peoples Consultative Congress) to give him a voice in the cabinet's formation and lobbied tirelessly for his cronies and against the new leadership, General Suharto managed to retain the upper hand and name only his own people to key positions.

*Only Minor Concessions to Sukarno.* The Triumvirate of the previous cabinet remains intact. Suharto will himself be Chairman of the Presidium and Minister for Defense and Security; Adam Malik will be First Minister for Political Affairs and will remain Foreign Minister; Sultan Hamengku Buwono IX will retain his previous responsibilities but with the new title First Minister for Economics and Finance. The other two first ministers and members of the Presidium are Idham Chalid, leader of the NU (Orthodox Scholars) Party, for People's Welfare, and Sanusi Hardjadinata, a PNI figure (Indonesian Nationalist Party) with the industry and development portfolio. The presence of these two politicians in what is otherwise a cabinet of technicians is primarily a conces-

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VII, 5/66–6/67. Secret; No Foreign Dissem. The CIA's Office of Current Intelligence prepared an Intelligence Memorandum, No. 1685/66, July 30, entitled "The New Indonesia Cabinet," which provided analysis of the cabinet and biographical information on its new members. (Ibid.)

sion to Sukarno and the parties. However, the two leading Sukarno hacks from the last cabinet, Ruslan Abdulgani and Johannes Leimena, have been dropped, despite the President's desperate efforts on their behalf. The pro-Western Ambassador to Thailand, Burhanuddin Mohamed Dian, has been named Information Minister to replace Abdulgani. One of the most significant changes requires that the 24 regular ministers report directly to the Presidium, which Suharto heads, instead of to the President, who is no longer prime minister but only chief of state.

*The Great Leader Apparently Submits.* Taken together, these developments represent a major blow to Sukarno's position and influence, a blow which he seems to be accepting without a fight. Wire services report that the President confirmed the announcement of the Suharto slate and indicated that he would deliver a speech at the swearing-in ceremony.

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**215. Memorandum From Secretary of State Rusk to President Johnson<sup>1</sup>**

Washington, August 1, 1966.

**SUBJECT**

National Security Council Meeting, August 4, 1966

I enclose a paper on Indonesia for discussion in the National Security Council meeting on August 4, 1966.<sup>2</sup>

**Dean Rusk<sup>3</sup>**

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 23-9 INDON. Secret. There is no drafting officer indicated on the memorandum.

<sup>2</sup> For a record of the discussion, see Document 217.

<sup>3</sup> Printed from a copy that indicates Rusk signed the original.

**Enclosure****INDONESIA****Background**

1. On October 1, 1965, the Indonesian Communist Party joined with elements of the armed forces in an effort to stage a coup by assassination. Six of Indonesia's most prominent generals were killed. Loyal Army elements under General Suharto rallied and crushed the coup attempt within 48 hours. This was the beginning of one of the most dramatic political reversals in recent history. A major nation, which was moving rapidly toward a domestic Communist takeover and was intimately associated with Communist China, within three months destroyed the Communist threat and altered significantly its domestic and foreign orientation.

2. The first element in this political change was the destruction of the Indonesian Communist Party, the fourth largest in the world. The Army hunted down and executed the principal Communist leaders. In the small cities, towns and villages groups of youths, encouraged by the Army and motivated by religion, historic local grievances, and fear of their own fate had the Communists taken power, embarked on a systematic campaign of extermination of Communist Party cadres. While the exact figure will never be known, an estimated 300,000 were killed.

3. The second aspect of this political revolution was a systematic reduction of the powers of President Sukarno with the object of retaining Sukarno as the historic revolutionary figure and symbol of Indonesian unity, but depriving him of the power to govern. This process proceeded in stages. In March, Sukarno was forced to delegate extraordinary powers to Suharto, and Subandrio, Saleh, and others of the coterie of Palace followers who in the past have done Sukarno's bidding were removed from power and imprisoned. This was followed in July by a meeting of the People's Consultative Council in which General Suharto's mandate was confirmed and Sukarno was stripped of his position as lifetime President. On July 25 a new cabinet, led by General Suharto and purged of remaining pro-Sukarno figures, was formed. Sukarno remains on the scene, has a capability to obstruct and delay, but has lost the power to initiate or act.

4. Working with General Suharto and the Army were two key leaders: Adam Malik, a former newspaper man whose service as Ambassador to Moscow has modified and rationalized his Marxist orientation; and the Sultan of Djogjakarta—the only public figure with a charismatic appeal to the people of Java comparable to Sukarno's own. In addition, a new and powerful force has emerged on the Indonesian

political scene associated with the Army, but apart from it. It is composed of students who have come of age in the post-revolutionary period and are fed up with Sukarno, his empty slogans, and the economic chaos and bankruptcy which he has brought on the nation. These students, moving in huge public demonstrations, have been the cutting edge of political change.

5. On the international side there has been a rapid deterioration of Indonesia's relations with Communist China and the Asian Communist states, and a corresponding improvement in Indonesia's relations with the United States and the West. Foreign Minister Malik announced Indonesia's intention to return to the United Nations and its associated international agencies, and Indonesia has already applied to rejoin the International Monetary Fund and the International Bank for Reconstruction and Development. In June, Indonesian and Malaysian delegations met at Bangkok and reached preliminary agreement to bring an end to confrontation, and Malik has indicated an interest in Indonesian participation in Southeast Asian regional organizations.

6. These political developments took place in an economic situation of wild currency inflation, a bankrupt Central Bank, and a foreign debt of \$2.5 billion, whose annual servicing alone comes to more than the country's total annual foreign exchange earnings. The Sultan of Djogjakarta, the minister responsible for economic development, announced early in April a sensible and rational new approach to Indonesia's economic problems. Most of Sukarno's pet projects, which were consuming vast quantities of scarce foreign exchange, have been suspended, and the virtual termination of military confrontation with Malaysia has removed another major resource drain. Money was scraped up earlier this year to purchase rice from Burma and Thailand, and these imports combined with a good domestic rice crop have averted the immediate danger of a food shortage, although without imports, rice may be short in the winter months.

7. There has been, however, only modest progress in dealing with the root causes of Indonesia's economic collapse. The overall cost of living index has increased since October 1, 1965, by a factor of 12 and the amount of money in circulation by a factor of 5. Anti-Chinese riots have intimidated this important entrepreneurial community and caused an exodus of Chinese businessmen and a flight of Chinese capital. The Sultan's sensible words have not been followed by firm measures. The new cabinet inaugurated on July 25 shows considerable strength in the political and social ministries, but the overall level of professional competence of the economic ministers is low and a number of important portfolios remain in the hands of corrupt or incompetent officials. The management capacity of the swollen bureaucracy continues at a low level. It should be noted, however, that Suharto and



his associates have up to now given priority attention to the political objectives of establishing themselves in power and restricting the powers of Sukarno. These objectives have been achieved to a major degree. There is no lack of understanding of the severity of Indonesian economic straits and there appears a good prospect that economic matters will now begin to receive more high-level attention.

#### United States Interests and Objectives

8. Our traditional interest in Indonesia has been to keep the country out of the hands of its domestic Communists and out of the orbit of Communist China. This objective has, through the events of October 1 and their aftermath, for the time being been achieved. While protecting these major gains, our objective now is to help this populous, potentially rich and strategically placed nation—hitherto a disruptive force in Southeast Asia—overcome the inheritance of Sukarno's mismanagement, develop an effective government, and become a constructive force in the area.

#### Interests and Objectives of our Allies

9. We share these objectives with many of our friends. The economies of Japan and Indonesia are complementary, and Japan wishes to play a leading role in helping the Indonesian economy get back on its feet. The trading nations of Western Europe are also attracted by Indonesia's natural resources and the potential market of 100 million people. For Australia, New Zealand, Malaysia and the Philippines, an economically healthy, politically friendly Indonesia is essential to their national security. Indonesian recovery is also in the interest of the Soviet Union and its Eastern European allies, who regard Indonesia as a desirable market and source of raw materials. For the USSR as well as for the West, an unaligned Indonesia represents an Asian counterweight to Communist China.

#### United States Strategy and Past Actions

10. Until late March we kept silent on developments in Indonesia, a policy welcomed by the principal leaders of Indonesia's anti-Communist revolution. However, we gave them private encouragement and demonstrated our support by furnishing small amounts of urgently needed supplies. After the March cabinet reshuffle removed Sukarno's henchmen, we responded to Foreign Minister Malik's request for 50,000 tons of rice under PL-480, Title IV, on near-commercial terms. This was followed in June by a similar sale under Title IV of 75,000 bales of cotton on generous terms of interest and repayment. We have informed Malik that we are prepared to consider a further sale of cotton either direct or for third country processing. We have also encouraged other Free World countries to extend emergency assistance to Indonesia, and

Japan, the United Kingdom, Australia and West Germany have made varying amounts of emergency grants and credits available.

11. Our strategy has been to provide, and to encourage other friendly nations to provide, such assistance to Indonesia while its leaders complete the process of political consolidation and place themselves in position to deal with the tough problems of economic reform and reconstruction. We have been working closely with Japan and other countries, who share our objectives in Indonesia, to organize a multilateral approach to Indonesia's longer term problems. This will involve a rescheduling of Indonesia's foreign debt, perhaps preceded by a moratorium, followed by other measures which will help Indonesia deal with inflation and restore the shattered export industries on which the economic health of the nation depends. A preliminary meeting of the informal "Aid to Indonesia Club" met in Tokyo on July 19 and a further meeting is planned for mid-September. We and Indonesia's other friends have emphasized that the IMF and the IBRD must play a key role in this reconstruction process. An IMF mission has already visited Indonesia and the new government has issued a formal invitation for the IMF to assist in the development of a stabilization plan.

#### Future Actions

12. During the short-range period of emergency support we propose to take the following actions:

a. We will continue to use the resources of PL-480 and its successors to provide food and cotton to Indonesia, and may also use CCC credits for this purpose. We are considering sales under PL-480, Title I, to provide rupiahs for our internal needs in Indonesia and to avoid adding to Indonesia's already heavy dollar indebtedness.

b. As soon as we can remove certain legal obstacles to the resumption of aid arising from provisions of the Hickenlooper Amendment (Section 620(c)) and 620(e) of the Foreign Assistance Act, *we intend to request a Presidential Determination, required under Section 620(j) of the same act, that furnishing assistance to Indonesia is in the national interests of the United States. Under a Presidential Determination we propose to provide on Indonesia's request:*

- i. civilian participant training in American universities;
- ii. military training in US Service Schools in skills which have a civic action application;
- iii. modest amounts of industrial raw material and spare parts to reactivate US equipment already in use in Indonesia;
- iv. modest amounts of spare parts and technical advisory service to the Indonesian military for the rehabilitation of previously supplied US equipment for use in civic action projects;
- v. text books and reference books at the university level and possibly some technical advice on aspects of an economic stabilization program and other self-help measures; and
- vi. participation, if Indonesia so desires, in regional technical assistance of institutional development programs.

13. Our actions in the longer range economic development effort are difficult to anticipate at this time, since we expect to be working with other countries under the aegis of the IMF and hopefully the IBRD in a multilateral setting. As a rough preliminary estimate, based on imperfect data and an uncertain time frame, we might wish to contribute a sum in the range of \$50 million (including PL-480) to a multinational program to provide necessary imports to rehabilitate Indonesia's production plant and to restore badly run-down communications and transportation systems. The amount may vary with the hardness or softness of debt rescheduling terms, since debt relief is a form of aid. Depending on the amount and type of funds needed, it may be necessary to ask Congress for supplementary funds to carry out this long term program. We have been in close touch with key members of Congress on this question, have mentioned this rough estimate of possible future needs, and have found them favorably inclined towards our plans for helping Indonesia. Before any such program is likely to begin, however, Indonesia and its creditors must reach agreement on debt rescheduling and Indonesia must begin to implement a stabilization plan. These in turn will require difficult Indonesian decisions in areas such as budget revenue and expenditure, exchange rates and export incentives. Commitment of our assistance would be related to and paced with Indonesian performance in these areas.

14. At some stage we may wish to consider the return of the Peace Corps. Indonesia will need a broad range of middle-level skills, and when the program is resumed, it should include the widest possible spectrum of Peace Corps activities. Its previous entrance and exit had, however, major political overtones, and until we have clear evidence that the Indonesians want the Peace Corps we mean to proceed with caution.

### Anticipated Future Problems

#### The Army

15. The Indonesian Army now and for some time to come will control the destinies of Indonesia. The Army is a major source of strength, and appears to be solidly united behind Suharto. It has a highly motivated, well trained, professionally competent officer corps. Many officers were trained in the United States, and a number of them have considerable competence in civilian administrative skills. It is an army proud of its record in winning Indonesian independence and determined to protect the fruits of this independence. (It has put down major insurgency movements in virtually every major island of the archipelago.) It is an army that has thus far resisted the temptation of a complete military takeover: it has preferred to work with civilian

leaders and maintain its image as the servant rather than the master of the state.

16. The military is also a source of potential weakness and vulnerability. It has consumed over the past six years between 60 and 70% of the Indonesian budget, and may find it difficult to accept a more modest share. It has over 300,000 men under arms and is equipped with sophisticated modern weapons, largely of Russian origin, which it now neither needs nor can afford to maintain. It has a basic distrust of the civilian politicians, little patience with the disorder of free political exchange, and no major commitment to democratic freedoms as we know them. There is a danger that the Army may in the course of time move in the pattern of Burma to a military authoritarian state. The armed forces will wish to maintain good relations with the Soviet Union, with whom they have a still unused balance of \$110 million of the original loan for military equipment.

#### The Indonesian Military and the US

17. As noted above, many Indonesian officers have been trained in US Service Schools. There are, as a consequence, strong US-Indonesian service-to-service ties. We have, therefore, through our attachés in Indonesia and other direct contacts with Indonesian officers, some capability of influencing their policies and actions. This influence carries with it its liabilities. The Indonesian military, and particularly the Army, have been accustomed to turn to us, as well as the USSR, for military supplies. Indonesian officers in informal conversations have indicated an interest in resuming a military assistance program for Indonesia and have spoken of "requirements," running into hundred millions of dollars, which they hope to obtain from the United States. We will have a difficult task of deflecting these completely unrealistic expectations while continuing to maintain our personal ties and influence. In this context, the training and civic action programs proposed in previous paragraphs take on a special importance and urgency.

#### Unreasonable Request for Aid

18. Indonesia in the past has dealt with its economic problems by skillful use of political and economic leverage to obtain grants and loans from over 30 countries. This habit of looking to others to deal with their economic problems will persist. All preliminary proposals for economic rehabilitation place undue and over-optimistic reliance on a presumed availability of external resources. Indonesia, in short, would prefer to shift the major burden of its economic recovery onto the shoulders of its foreign friends. Malik and the Sultan have indicated their support of the multilateral approach described above, but we must anticipate in the coming months requests for substantial bilateral assistance justified almost exclusively on political grounds. We should

attempt to head them off, but if unsuccessful we should not respond favorably without the most careful scrutiny for the following reasons:

a. Favorable response to these large "emergency requests" will reduce domestic pressures and retard rather than accelerate the process of economic reform;

b. Indonesia's capable trading community and its cadre of western-trained, performance-oriented economists who are preaching the need for forceful domestic efforts to cope with the economic situation will be undercut if we respond to emotional political appeals;

c. If we grant further credits we would not only be adding to Indonesia's debt burden, but would also be projecting ourselves into political difficulties with them because of the conditions we would have to require to be reasonably certain of repayment.

19. A firm but friendly policy of responding bilaterally to short-range, small-scale emergency needs and confining major assistance to the multilateral framework carries acceptable risk for the following reasons:

a. The subsistence sector of the Indonesian economy, embracing 75% of Indonesia's 100 million population, has survived over a decade of monumental mismanagement and continues to have considerable resilience;

b. The fertility of the soil, the general availability of fruit, vegetables and root crops reduces the political pressures of hunger or dire poverty;

c. Indonesia is largely free of absentee landlords and inequitable land distribution;

d. For the time being and for the foreseeable future there is no conceivable political alternative to an Army-dominated government;

e. The political repercussions which they warn us of will operate for the foreseeable future to produce internal reform rather than overthrow of the government.

#### Indonesia's International Posture

20. While Indonesia has renounced its past close association with Communist China and the Asian Communist powers, we can expect nothing better than non-alignment from Indonesia. Indonesia will continue to remain publicly critical of our actions in Viet-Nam, although Malik from time to time will attempt to soften the impact of these statements by private expressions of understanding. Indonesia, when it returns to the United Nations, will undoubtedly resume its position as one of the more militant of the Asian-African bloc, and while it will no longer stand invariably with Cuba and Albania on major issues in the United Nations, we will continue to find it opposing us on many key questions.

#### Confrontation

21. The Bangkok Agreement laid the groundwork for termination of confrontation, but it has not yet been ratified by the Indonesian

Government. Small-scale border incursions have continued, and there are signs that some elements of the Indonesian Army may attempt to delay ratification in hopes of exacting further concessions from the Malaysians. Malik and Suharto appear sincere in their announced determination to end confrontation, but there may be further delays. In the longer perspective, as Indonesia begins to emerge from its economic difficulties we must anticipate that there will be adventurous elements in Indonesia that may revive efforts to extend control over Malaysia and the Borneo states.

### Timing

22. As we approach the problem of consolidating the gains which the Indonesians themselves have achieved in the past ten months, timing is of paramount importance. We must adjust to the pace which the Indonesians themselves have set for securing their own economic and political salvation. To move too quickly, to show a greater sense of urgency in getting on with the job than the Indonesians themselves feel, will give these resourceful people the idea that they can exact concessions for the privilege of helping them. To move too slowly and to be too rigid in our responses in meeting major needs will encourage a latent threat of complete military takeover, and the emergence of an adventurist totalitarian regime. We are dealing not with an economic infant, but a sick giant with historically proven capacity for quick economic recuperation. We are dealing with a talented and resourceful population, proud, self-confident and determined to stand on its own feet. We are dealing with an island nation where the circumstances of geography and the incredible productivity of its soil tend to break problems into manageable units.

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#### **216. Memorandum From the Assistant Secretary of Defense for International Security Affairs (McNaughton) to Secretary of Defense McNamara<sup>1</sup>**

I-25425

Washington, August 3, 1966.

SUBJECT

NSC Discussion on Indonesia, 1100, 4 August 1966

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<sup>1</sup> Source: Washington National Records Center, RG 330, OASD/ISA Files, FRC 70 A 6648, 000.1 Indonesia, 1966. Secret. Drafted by Nuechterlein and rewritten by McNaughton.

*Problem.*

Embassy Djakarta and the State Department have recommended the resumption of limited US economic and military assistance to Indonesia on a short-range emergency support basis. Purpose of this assistance is to encourage the Army-dominated government to take much-needed steps to put Indonesia's economic house in order. However, there is no *military* justification for a resumption of MAP for Indonesia; the proposed military assistance would be largely for political and economic purposes, to support civic action projects and strengthen US rapport with the Indonesian military through training of Indonesian military officers in US service schools.

*Discussion.*

The State Department has prepared a paper for the NSC meeting (Tab A)<sup>2</sup> which concludes that the new Indonesian Government has made sufficient progress in reversing President Sukarno's foreign and domestic policies to justify USG consideration of short-range economic and military assistance. State's recommendations are based on proposals contained in Embassy Djakarta's 144 (Tab B),<sup>3</sup> which includes specific MAP funded projects. However, these actions would have to be preceded by a Presidential Determination as required under Section 620(j) of the Foreign Assistance Act and by the removal of certain legal obstacles to the resumption of aid arising from provisions of the Hickenlooper Amendment to the Foreign Assistance Act. The JCS have recommended (Tab C)<sup>4</sup> a small and highly selective military assistance program that would include support for civic action projects and a CONUS training program for Indonesian officers.

We are in general agreement with the State Department paper, except that we see no *military* justification for a military assistance program at this time. The civic action proposal is essentially a political effort designed by the Indonesian Army to improve its image with the public and to avoid large demobilization. While a case can be made that economic and financial assistance to Indonesia is now in the US interest, the same is not true of military assistance. The US has little to gain by building up the Indonesian Armed Forces, which are among the best equipped of any indigenous armed force in Southeast Asia. The Indonesian Army is fully capable of maintaining internal security in the major islands and has received more equipment from the Soviet Union and the United States than it has been able to use. On the other hand, it might be very advantageous to the US to have substantial

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<sup>2</sup> Not attached, but see enclosure to Document 215.

<sup>3</sup> Not attached, but see footnote 2, Document 213.

<sup>4</sup> In JCSM-473-66, July 25, attached but not printed.

numbers of young Indonesian officers study in US service schools, as well as in civilian institutions, and also for the USG to support the Indonesian Army's civic action program by providing technical advice, spare parts for engineering equipment, and perhaps some new equipment.

*Conclusions.*

1. There appears to be no *military* justification for a MAP in Indonesia in the foreseeable future.

2. Training (especially CONUS training) is probably a good idea. I recommend it (in US).

3. I recommend *against* other MAP items. I do *not* want a "non-training" MAP program resumed in Indonesia. The civic action program has political importance, however. I therefore urge that technical assistance, spare parts for civic action equipment, etc., be covered by AID (which may be hard legally) or through sales financed by the Indonesian budget.

John T. McNaughton<sup>5</sup>

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<sup>5</sup> Printed from a copy that indicates McNaughton signed the original.

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## 217. Notes of the 563rd Meeting of the National Security Council<sup>1</sup>

Washington, August 4, 1966.

The President opened the meeting by calling attention to the recent dramatic change in Indonesia's internal political situation and its foreign policy orientation. He recalled that just one year ago the NSC had met and decided to cut off most U.S. aid to Indonesia which was then rapidly moving toward becoming an out-and-out Communist state.

He asked Secretary Rusk and Mr. Helms to report to the group on recent Indonesian developments.

The Secretary noted that on his recent trip to Asia, he had met with many signs of a new mood and new confidence in Asia. He said the atmosphere was clearly attributable to two things:

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<sup>1</sup> Source: Johnson Library, National Security File, NSC Meetings, Vol. 4, Tab 4, 8/14/66, Indonesia. Secret. Drafted by Jorden who described them as "Informal Notes."



- (1) Our obvious determination to stand fast in Viet-Nam and to help preserve the physical security of the area;
- (2) The abrupt reversal of Indonesia's course.

An important question was whether the Indonesian changes were going to stick. He thought that all things considered there was a good chance they would. There was an outside chance of a revival of Sukarnoism. There was a chance, too, of internal bickering in the armed forces that could break into open conflict. But the Secretary thought both of these chances were remote.

On confrontation with Malaysia, the prospects for an end looked promising.

The main problem was economic. He underlined the external debt problem and the need for rescheduling. He noted the large debt to the Soviets and said we had to be careful that we were not giving aid to Indonesia that merely went into repaying the Soviets.

He estimated the probable need for economic assistance from us at about \$50 million the first year.

He stressed the desirability of working through a multilateral framework in providing aid to Indonesia. He said the Japanese role would be particularly important.

Regarding U.S. policy, the Secretary said that we had deliberately moved slowly to date. This was largely a response to Indonesian desires that we not assume too great or obvious a role. We and they recognized that an excessive U.S. reaction to internal events could be the "kiss of death" to the present leadership.

In the short run, our assistance would move largely through PL-480, and he noted that we had already sold rice and cotton to Indonesia through this channel.

He said we were working on the problem of the Hickenlooper amendment, looking to a Presidential Determination that would find aid to Indonesia in our national interest. This awaits certain actions by the Indonesians.

He said it was important to get the Indonesians and the IMF to knuckle down to a comprehensive development plan for the country.

We would have to expect that we would face making a distinction between what the Indos will want and what we think they can effectively use in terms of economic aid.

The Secretary summarized his views by saying:

the problem of Indonesia is of vital importance;  
we must be ready to move quickly and effectively;  
we must try to speed up the multilateral approach to the problems of debt rescheduling and aid.

The Secretary said he was of the impression that the Congress was in a mood to support this general approach.

Mr. Helms said he concurred in the Secretary's description of the problem.

On confrontation, *[less than 1 line of source text not declassified]* Malaysia's Foreign Minister Razak would be going to Jakarta at the end of August. He would reach agreement with the Indos that:

- (1) Confrontation should be ended;
- (2) Full diplomatic relations would be restored as soon as there was reconfirmation of the desire of Sabah and Sarawak to remain in the Malaysian family.

Regarding the present government, Mr. Helms thought the new cabinet was the best in years. He admitted it was somewhat weak in the economic field. But he said it was behind the Triumvirate and strengthened the latter's hand. He thought the three leaders (Suharto, Malik and the Sultan of Jogjakarta) were all good men and that the administration had an aura of stability.

He underlined the economic problems, noting, for example, that 55% of the country's transport was inoperable.

The President said he thought we should follow the line recommended by Secretary Rusk. He stressed the importance of keeping Congressional circles fully informed of developments and of our thinking. He asked for the Vice President's views.

Vice President Humphrey agreed with the need for keeping Congress aware of developments in Indonesia. But he said there was a far more sympathetic mood on the Hill now. He said many Congressmen saw what had happened in Indonesia as a consequence of our firmness in Viet-Nam.

He said it was vitally important for us to encourage other countries to lend a helping hand in Indonesian economic rehabilitation. He noted he had talked with Minister Miki of Japan about this and that Japan had recently granted Indonesia a \$30 million credit.

The role of the IMF was discussed and it was noted that there was a problem of Indonesia's \$47 million debt to the Fund which would have to be solved.

The President asked for Mr. Rostow's views.

Mr. Rostow said two things were worth noting:

- (1) That Indonesia provided a chance to establish a new pattern of multilateral help in Asia;
- (2) That here was an opportunity to link multilateral assistance with the newly established Asian Development Bank.

This was a pioneer case and there was a chance to develop around Indonesian aid the Asian equivalent of CIAP in Latin America. Asians

who needed help should go to Manila, not to Paris; a new and encouraging pattern could emerge and should be encouraged.

The President asked whether this was not along the same line as the recommendations for Africa in the Korry report.<sup>2</sup>

Secretary Rusk said that the African Development [Bank] would be weaker, but that the Asian Development Bank would have real strength.

The President asked for an estimate of how much the proposed assistance was going to cost.

Mr. McNaughton thought the cost of military aid would be small—less than \$10 million.

Secretary Rusk thought that the overall cost—including PL-480 and cooperation in multilateral aid—would be less than \$100 million.

There was a brief discussion of the cost for assistance to Viet-Nam.

Mr. Gaud said the problem in Viet-Nam was less a matter of money than of priorities and Vietnamese capabilities to absorb.

On Indonesia, Mr. Gaud said that the emphasis on multilateralism could not be too great. He said that the Indonesian case provided an opportunity to give an effective answer to Senator Fulbright.

He also noted that the requirements for additional aid might be less than we think. He noted that refunding of Indonesia's large debt would free considerable funds which could take the place of external aid. He also noted that with our PL-480, the Japanese loan and other sources, some \$80 million had gone into Indonesia in recent months in short-term assistance.

The President asked what the chances were for a comeback by Sukarno.

Mr. Helms said he thought the president [*present*] leadership in Jakarta could control this.

Secretary Rusk noted that the Army and others knew their lives would be in danger if Sukarno, Subandrio and Co. returned to power. They therefore had a large personal stake in preventing any revival of Sukarnoism.

The meeting ended with Secretary Rusk commending the Korry report on Africa to the principals as one of the best jobs of its kind he had seen in a long time.

W. J. Jorden

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<sup>2</sup> Dated July 22, 1966; printed in part in *Foreign Relations, 1964–1968*, vol. XXIV, Document 215.

**218. Intelligence Note From the Director of the Bureau of Intelligence and Research (Hughes) to Secretary of State Rusk<sup>1</sup>**

No. 501

Washington, August 12, 1966.

**SUBJECT**

The Indonesia-Malaysia Accord: Possible Pitfalls Ahead<sup>2</sup>

The signing of the Bangkok Accord in Djakarta on August 11 ends Indonesia's military confrontation of Malaysia, but Indonesia's interest in dismembering Malaysia remains active and there are still obstacles to stable relations.

*Terms of the Accord.* The terms of the Bangkok Accord, negotiated by Malaysian Deputy Prime Minister Razak and Indonesia's Foreign Minister Malik at the end of May, are brief and simple. The tone is set by the reference in the opening phrase to "the brotherliness" between the peoples of Indonesia and Malaysia "bound together by history and culture from time immemorial." In Article One, Malaysia agrees to a reaffirmation by the people of Sabah and Sarawak "in a free and democratic manner as soon as practicable through general elections" of "their previous decision about their status in Malaysia." In Article Two, Indonesia and Malaysia agree to resume diplomatic relations and exchange diplomatic representatives. And, finally, in Article Three, both countries agree that "hostile acts between the two countries shall cease forthwith."

*Secret Letters.* Although Malaysia promptly accepted the Bangkok Accord, Sukarno refused to sign it. As an inducement to Sukarno, General Suharto in June proposed an exchange of secret letters with Malaysia at the time of the formal signing of the Bangkok Accord. These would delay implementation of Article Two until Article One had been carried out; in other words, de jure establishment of diplomatic relations would have to await the elections in Sabah and Sarawak. With

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VII, Secret; No Foreign Dissem; Controlled Dissem.

<sup>2</sup> The CIA's Office of National Intelligence prepared a memorandum for the Director, August 16, entitled, "The End of 'Confrontation': The Debit Side," which concluded that although the end of confrontation would eliminate the threat of open warfare between Indonesia and the British Commonwealth and allow Indonesia to concentrate on economic affairs, it would also lead to increased Indonesian political influence in Malaysia and progressive diminution of British political and military influence. These developments would alter Malaysia's pro-Western orientation, and increase tension between Malays and Chinese. Although Indonesia gave up efforts to subvert Malaysia, it would not abandon its long-term goal of becoming the dominate power among peoples of Malay blood. (Ibid.)

considerable reluctance and after the exchange of many draft letters, the Malaysian government agreed.

It seems doubtful that the secret letters will remain secret for long. Neither government however seems to fear that public disclosure, if it occurs, will undermine its ability to portray the Bangkok Agreement as a national victory: for Kuala Lumpur a victory in bringing about Indonesian recognition of Malaysia and for Djakarta a victory in bringing about a reascertainment in Borneo.

*The Promise of Reascertainment Could Cause Problems.* The reaffirmation provision is one that the Malaysians found it very difficult to accept. Initially they were given to understand by the Indonesians that the requirement was pro forma; in exchange for inclusion of the commitment in the agreement, Indonesia would refrain in future from insisting that it be implemented. In subsequent negotiations, however, it became clear that the Indonesians had shifted from this position and regarded an actual reascertainment as indispensable. Present Malaysian expectations, bolstered by the language of the agreement, are that the requirement can be satisfied by a question on the ballot at the next regular election in each state that will, in effect, produce an endorsement of the existing situation.

Nevertheless, the promise of reascertainment may bring political rumblings within Malaysia. As far as is known, political leaders in Sabah and Sarawak were not consulted. Indeed the Chief Minister of Sarawak, upon hearing the rumor that the Bangkok Accord provided for a reascertainment, announced that he would not allow such a question to be put on the ballot in his state.

In addition the date of the elections could be controversial. Indonesia wants them held as soon as possible. Although Razak has said they will be held "next year," Malaysia is not necessarily prepared to act very quickly. Elections are not mandatory in Sabah until mid-1969 and in Sarawak until mid-1968. While there are domestic political reasons why an election might be held in Sabah in 1966 or 1967, there is serious doubt that electoral districts could be delineated and voter lists compiled in time for an early election in Sarawak. More compellingly, it is unlikely that Kuala Lumpur, which only this June put the present government of Sarawak into power by somewhat questionable means, would want that administration tested in an early election.

Quite apart from the question of timing, other issues may make the reaffirmation provision a troublesome one. Indonesia, where interest in dismembering Malaysia is by no means confined to Sukarno, is already supporting dissident Sabah and Sarawak politicians and is stepping up the infiltration of agents into both East and West Malaysia. Moreover, there are indications that Indonesia may request observers at the elections. If it does so, the Malaysians, recalling the problems over observers

for the UN survey in August 1963, may be reluctant to comply. There could be disagreement on this point and delay while the question is settled, or Indonesia could use the absence of observers as a pretext to denounce the results of an election just as it denounced the UN survey.

Whether either side will refrain from exploiting the ambiguities of the reaffirmation procedure to make difficulties with the other, will depend heavily on the survival of conciliatory attitudes in Kuala Lumpur and Djakarta. Kuala Lumpur must continue to see the advantages of obtaining Djakarta's full formal recognition of Malaysia's sovereignty within present territorial limits as outweighing distaste for going through even the motions of a reaffirmation and overlooking the clandestine activities the Indonesians seem intent on maintaining. Restraint in Djakarta on the other hand, may be closely tied to the calculation that prospects for substantial economic assistance from the West are significantly related not only to the termination of military confrontation but also to the maintenance of normal and amicable relations with Malaysia.

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## 219. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, August 13, 1966, 1200Z.

749. Joint State/AID/DLG message. U.S. Short Term Assistance to Indonesia. Ref Djakarta 144.<sup>2</sup>

1. I recommend that we now proceed with implementing program of US short-term assistance to Indonesia outlined in reftel and spelled out in greater detail in follow-up messages.

2. Since sending of reftel one month ago, Indonesia has installed a new cabinet which, together with filling of subcabinet positions, has provided Indonesia with greatly improved government, especially taking into consideration Sukarno's ever-dwindling influence. Moreover, during past month, Indonesia has brought its three-year-old costly confrontation with Malaysia to a close and in other ways as well has

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, AID (US) INDON. Confidential. Repeated to CINCPAC for POLAD.

<sup>2</sup> See footnote 2, Document 213.

abandoned reckless jingoism in favor of a constructive role in international affairs. The road to resumed US assistance has been further opened by our investigation of ways to remove statutory obstacles impeding resumption such aid, such as lack of procedure to settle private claims, and I believe they now have been resolved. Claims for damages to Embassy are being paid.

3. Though GOI will continue to face problems of enormous magnitude in rehabilitating its long neglected economy and will be challenged all along the political front, the triumvirate, backed by major segments of the army, students, and population generally, will strive toward objectives which we regard as consistent with our own interests and purposes. If current momentum is sustained, Indonesia is likely during next several months to rejoin the UN and other international agencies including IMF and IBRD and to assume an ever closer relationship with its immediate neighbors (Malaysia, Australia, Thailand, Philippines) as well as retain close behind-the-scenes consultations with US officials. Given this momentum, we can see real prospects for a new and wider association of Southeast Asian countries in which Indonesia, larger in population than all the others combined, will play a fraternal role. Though less clear, we would hope to see Indonesia face up in more dynamic fashion to handling its economic problems.

4. However, we do not believe that this momentum will be sustained without adequate early evidence of assistance from other countries, especially the US. Aside from argumentation contained reftel, there is strong belief here amongst all officials, notably amongst military who likely continue to be dominant element in Indonesia for some time, that foreign aid and investment are vital and urgent. Their belief in this causal relationship has been a key factor in shaping rational official decisions. If Indonesian Government supporters believe that needed aid is unavailable, we may see government giving in to counsels of discouragement and a resurgence of the Sukarnoists who will argue that present GOI policies have been built on false expectations. Top-level Western-trained Indo economists, now hesitating over whether to participate fully in new government, will drop out if they feel US support for new government is lacking. Moreover it is inadvisable to await outcome of Tokyo talks before lending real helping hand. Even though we fully agree on desirability of multilateral approach to Indonesian assistance program this may take some time to work out. Meanwhile there are compelling needs for some assistance immediately.

5. I therefore request authorization now to discuss with Malik short-term bilateral US assistance on basis program outlined reftel and subsequent messages. We hope be forthcoming soonest, at least on educational exchange and hopefully on additional activities proposed reftel. In particular, we recommend quick action on: (a) participants

and book program; (b) authorization for negotiations for rice and cotton on PL 480 Title I basis as preferable to Title IV in view overall stabilization and debt rescheduling objectives; (c) authorization for negotiations on Title II few programs based continuation Indramaju project and initiation high-impact elements new Demak proposal; and (d) authorization for negotiations on spare parts and raw materials loan, with consideration being given both to IBRD/IDA channel (if IBRD technician can accompany IMF team and thus reach Indonesia sooner than technicians under any other possible arrangement), and to direct bilateral loan which would have advantage of restriction to US suppliers only. Additionally, we believe it would be useful sometime soon to commence negotiations on investment guarantee agreement which would be of major immediate help to our current discussions with US business representatives now visiting Djakarta as well as considered essential to long-term maintenance of American private investors position in Indonesia. We will be commenting further on this point.

6. The MAP proposal set forth refel remains unchanged and represents a logical and manageable start in this highly important facet of assistance. Certain areas of assistance for the Indonesian military are not finite and depend in some measure on priorities which are currently being determined by the Indonesian army staff under its G-4, MajGen Hartono. In the main, it is expected that the military side of the overall assistance program will be dominated by an emphasis on civic action in its broadest sense to include schooling, spares for engineer equipment, overhaul and repair of transportation means and equipment. MAP and aid will be complementary in many areas and especially in civic action. General Suharto's outer island development plan including aerial survey is not included in present recommendations pending further study. Indications are that it remains high on General Suharto's personal list of priorities.

7. Request urgent action be taken ensure I receive instructions for discussion with Malik while current momentum resulting from signature Malaysia-Indonesia agreement is high and before his departure for Moscow (still uncertain, possibly as early as August 27), so that no obstacle is left to prevent GOI cabinet action on further forward steps in Malik's absence.

8. Country Team concurs.

**Green**



**220. Memorandum From William J. Jorden of the National Security Council Staff to President Johnson<sup>1</sup>**

Washington, August 26, 1966.

**SUBJECT**

Presidential Determination on Aid to Indonesia<sup>2</sup>

Secretary Rusk recommends<sup>3</sup> that you sign the attached Presidential Determination under Section 620 (j) of the Foreign Assistance Act. The Bureau of the Budget (Acting Director Hughes) concurs<sup>4</sup> as does AID Director Gaud.

The Determination will permit State to begin talks with the Indonesians on an interim assistance program. As discussed at the recent NSC meeting on Indonesia,<sup>5</sup> our hope is that long-range assistance can be worked out on a multilateral basis.

Ambassador Green hopes we can tell the Indonesians that we are ready to move ahead on short-term emergency aid for the Indo economy before Foreign Minister Malik leaves for Moscow on September 2.

Items that might be considered for action under this Determination are: (1) PL 480 food and cotton; (2) spare parts and replacements for U.S. equipment now in Indonesia; (3) participant training; (4) technical assistance, including advice, textbooks and training aids; (5) possible inclusion of Indonesia in regional development programs; (6) modest scale resumption of civic action training of the military.

State and AID estimate that such interim programs, excluding PL 480, might cost somewhere between \$12 million and \$22 million. There is *no* commitment on any of the above; the list is only illustrative.

Congressional leaders have been kept informed of Indonesian developments. The specific question of immediate, short-term aid resumption has not been posed.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VII, 5/66-6/67, [2 of 2]. Secret. Rostow "OK"ed and initialed this memorandum on August 28.

<sup>2</sup> The Presidential Determination was attached to Rusk's memorandum (see footnote 3 below) and is also in the Johnson Library, National Security File, Country File, Indonesia, Vol. VII, 5/66-6/67, [2 of 2].

<sup>3</sup> Rusk's recommendation was in an August 23 memorandum to Johnson. (National Archives and Records Administration, RG 59, Central Files 1964-66, DEF 19-8 INDON)

<sup>4</sup> Philip S. Hughes concurred in an August 25 memorandum to Johnson. (Johnson Library, National Security File, Files of Walt W. Rostow, Meetings with the President, Apr.-Dec. 1966)

<sup>5</sup> See Document 217.

State and AID wonder whether you prefer:

- 1) to proceed with PD as is;
- 2) to sign PD but withhold announcement until key Congressional leaders and Committee chairmen can be informed;
- 3) to get a reading from key Congressmen before proceeding.

The Indonesian economy is in shambles. The new government desperately needs short-term help. It would be to our great advantage to move quickly on some of these modest but psychologically important programs before a mood of desperation sets in Djakarta. It would help greatly to be able to tell the Indonesians of our willingness to begin talking about some of these matters *before* Malik takes off for Moscow.

I would therefore recommend course 2 above.<sup>6</sup>

**Bill Jorden**

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<sup>6</sup> There is no indication on the memorandum as to Johnson's preference, but after consultation with key Congressional leaders, as described in a memorandum of conversation by Douglas MacArthur II, August 30, and a September 1 memorandum from Rusk to Johnson (both National Archives and Records Administration, RG 59, Central Files 1964-66, POL 19-8 US-INDON), the President approved and signed the Determination. (Memorandum from Rostow to Johnson; August 31; Johnson Library, National Security File, Country File, Indonesia, Vol. VII, 5/66-6/67, [2 of 2]. The signed Determination, September 1, is *ibid*.)

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## 221. Memorandum Prepared for the 303 Committee

Washington, September 20, 1966.

[Source: National Security Council, Special Group/303 Committee Files, Subject File, Indonesia. Secret; Eyes Alone. 1 page of source text not declassified.]

**222. Memorandum From Vice President Humphrey to President Johnson<sup>1</sup>**

Washington, September 25, 1966.

**SUBJECT**

Memorandum of Conversation with Adam Malik

I met with His Excellency Adam Malik, Foreign Minister of Indonesia, at the Sheraton Ritz Hotel, Minneapolis, Minnesota, on Sunday, September 25, 1966. Accompanying Mr. Malik were his aide, Mr. Widjatkika, and General Suharto's personal advisor, Colonel Soejono.

Mr. Malik expressed his appreciation of my seeing him in Minnesota. He said that he was specifically requested by General Suharto to extend his personal greetings and recognition of my encouragement to the anti-Communist forces of his country, dating back to 1963.

Mr. Malik reported on his conversations with U.N. Secretary-General U Thant and indicated he expected Indonesia to be formally re-seated at the General Assembly by Wednesday or Thursday of this week. In response to my questions and in the course of our conversation about Indonesia's future U.N. role, Mr. Malik stated that as part of its transition from President Sukarno's leadership, which had favored the admission of Communist China to the U.N., his government's delegation this year would abstain and thus retreat from their previous position. He stated that he and his government preferred a two-China policy in the U.N.

Mr. Malik stated that his government desired to strengthen its relations with Taiwan and was, in fact, entering into an agreement for Taiwan to process cotton to provide Indonesian clothing.

Mr. Malik made clear to me his country's sympathetic understanding of the U.S. role in Asia and Vietnam. He has instructed his government's representative in Cambodia to try to open channels of communication to Hanoi. He stated that General Suharto's success in defeating the Indonesian Communist forces was directly influenced by the U.S. determination in South Vietnam. He too hoped for a negotiated settlement to end the bloodshed and commended your heroic efforts in this regard. But he made it clear that a U.S. withdrawal and a Communist victory in Vietnam would be a direct threat to his country.

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<sup>1</sup> Source: Johnson Library, National Security File, Name File, Vice President, July 1, 1966, Vol. II. No classification marking.

Mr. Malik was uncertain as to how effective a role his government could play in Vietnam. He deeply regretted that his private conversations with President Marcos of the Philippines as to Indonesia's possible mediation role there was reported to the U.S. press by Marcos. He said this would set back their efforts for the time being.

He and General Suharto understand that with Indonesia's large population and great potential wealth they could play a major future role in Asia and the U.N. They would like to do this increasingly as a friend of the U.S. For the moment, however, they are severely handicapped by a dire economic emergency. Their own government's political stability depends upon their being able to provide food and clothing for their people.

Mr. Malik, in response to my question, agreed with the U.S. early reluctance to take the lead in helping the new Indonesian government and thus possibly provide President Sukarno with ammunition in that country's internal political struggle. Colonel Soejono, however, speaking for General Suharto, felt the concern was unwarranted. This was the only difference between the two to manifest itself. Both, however, were now eager for immediate aid.

Specifically, Indonesia requires large amounts of rice and is attempting to obtain rice not only from the U.S. but also from Burma, Thailand and some from Taiwan. They need much more from the U.S., however, than they now have reason to believe they will receive.

Indonesia's cotton need is also great and Mr. Malik referred to the U.S. overabundance of cotton. He said Indonesia is eager not only for PL 480 aid in cotton but would like to begin making commercial purchases under long-term credits.

I suggested increased uses of wheat and bulgar, but was told that there was a consumer resistance due to a lack of understanding and custom. Mr. Malik agreed that it would be in the long-term interest of Indonesia for wheat and bulgar to be increasingly introduced.

Mr. Malik emphasized that his country's urgent rice and cotton needs were also essential to feed and clothe the troops. With the ending of confrontation on the Malaysian border and to keep the military from becoming restless, it was necessary to keep the large numbers of troops in Indonesia satisfied and occupied. General Suharto intends to turn the army into a public works engineering corps to improve internal transportation problems and undertake similar projects.

Mr. Malik hoped you would recognize that his government has acted responsibly and expeditiously to help itself and to play a responsible role in the world community. He pointed to the ending of the confrontation in Malaysia and to the U.N. readmission as examples. He also assured me that his government was taking all proper steps to meet its economic problems.

Indonesia:

- (1) is working closely with the World Bank and the IMF and intends to join the Asian Development Bank.
- (2) is cooperating fully with the Tokyo group of creditor nations.
- (3) is about to enact new legislation to encourage foreign capital investment.
- (4) is eager to sign an agreement with the U.S. for an investment guarantee program.
- (5) would like to begin a student, leadership, and cultural exchange program with the U.S.
- (6) would like USIA assistance in providing low-cost paperback books for students in both English and Indonesian.

The conference concluded with my urging Mr. Malik to keep in very close touch with Ambassador Green in Jakarta. I assured Mr. Malik that the Ambassador had our government's greatest confidence. Mr. Malik expressed his respect and warm friendship for Mr. Green and his appreciation of Mr. Green's understanding and cooperation. He also stated his satisfaction at his meeting in Washington with Assistant Secretary of State Bundy and with the assistance already under way in food, cotton and spare parts. He expressed his hope that I would continue to maintain a personal interest in a democratic Indonesia and would continue to keep in touch with him.

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## 223. Memorandum of Conversation<sup>1</sup>

Washington, September 27, 1966, 12:30–1 p.m.

SUBJECT

Indonesian Economic Situation

PARTICIPANTS

Indonesian Foreign Minister Malik  
 Ambassador Palar  
 General M. Jusuf, Minister of Light Industry  
 Mr. A. Sani, Under Secretary for Political Affairs

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, AID (US) INDON). Secret. Drafted by Underhill and approved in S on November 26. The memorandum is Part I of III. On September 24 Bundy sent Rusk a briefing memorandum and talking points for this meeting, which Rusk saw. (Ibid., POL 7 INDON) The time of the meeting is from Rusk's Appointment Book. After the meeting Rusk hosted a lunch for Malik and his party. (Johnson Library, Rusk Appointment Book)

Colonel Sudjono

Mr. E. Tobing

The Secretary

Assistant Secretary William P. Bundy

Ambassador Green

Mr. Francis T. Underhill, Indonesian Country Director

The discussion during Foreign Minister Malik's call on the Secretary concentrated on Indonesia's economic situation and Viet-Nam. Indonesia's readmission to the UN, multilateral organizations, and Indonesia's non-aligned foreign policy were touched on briefly.<sup>2</sup>

### *Economic Situation*

1. Foreign Minister Malik said that Indonesia's principal short-range problem was providing adequate food for its population and sufficient clothing for the Muslim Lebaran holiday in December. He acknowledged the assistance which the United States has already provided to help meet these needs. He went on to say that it was not the size of foreign assistance that was important, but rather the right kind of assistance that would help Indonesia's own productive capacity to improve. Indonesia, the Minister continued, is suffering from the legacy of the former regime and is saddled [with] economic chaos. There is also, he added, a continuing residual threat from Communist elements.

2. The Secretary noted that Ambassador Green had been discussing with the Foreign Minister various kinds of emergency assistance which the United States was prepared to furnish, and said that there was understanding and sympathy for Indonesia's problems within our government. The IMF and the creditor nations are organizing, he continued, for a cooperative effort to help Indonesia, and we are ready to do our part. The Secretary stressed that external resources could play only a marginal part in the development effort and that Indonesia itself must carry the main burden. He cited the Alliance for Progress in Latin America and United States assistance to India as examples. In connection with the Tokyo meetings, the Secretary said that in his talks with Soviet Foreign Minister Gromyko in New York

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<sup>2</sup> Malik met with William Bundy and Ball on September 23. (Memoranda of conversation, both September 23; National Archives and Records Administration, RG 59, Central Files 1964-66, POL INDON-US and POL 2 INDON) In describing the discussions with Ball and Bundy to the Embassy in Djakarta, the Department stated that the meetings "covered familiar ground with Malik laying stress on economic situation and importance of interim assistance." (Telegram 53857 to Djakarta, September 24; *ibid.*, POL 7 INDON) In a September 26 meeting between Malik and Thompson and Green, Malik stated that there was probably no substance to statements made in 1965 that Indonesia would explode an atomic device. Malik assumed it would have had to have been a Chinese device, but he doubted that China would have permitted it. Malik also discussed Indonesia's relations with the Soviet Union and North Korea. (*Ibid.*, POL INDON-US)

he had expressed our views on the importance of Soviet cooperation in a multilateral solution of Indonesia's debt problems and emphasized that the creditors meeting should in no sense be considered as an anti-Soviet conspiracy. Mr. Gromyko, continued the Secretary, received these views without polemics, but gave no indication of his government's position. The Secretary noted the importance of non-discriminatory treatment of all of Indonesia's creditors and said that any settlement that would imply payment of the Soviet debt at the expense of the United States and other western creditors would give us serious political problems. Mr. Malik said that he anticipated no difficulty in obtaining Soviet cooperation; they had in fact little choice but to accept the Tokyo principles.

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#### **224. Memorandum of Conversation<sup>1</sup>**

Washington, September 27, 1966, 10:45–11:05 a.m.

##### **SUBJECT**

Indonesian Foreign Minister's Call on the President

##### **PARTICIPANTS**

The President  
Indonesian Foreign Minister Adam Malik  
Mr. A. Sani, Director General of Indonesian Foreign Office  
Col. Sudjono, Personal Aide to General Suharto  
Walt W. Rostow  
William Jorden  
Ambassador Green

1. After thanking the President for this opportunity to visit his office, Foreign Minister Malik described what he regarded as Indonesia's most significant steps forward in recent months: Ending of Confrontation, entering into a constructive role in Southeast Asia's regional affairs, resuming membership in the IMF, IBRD, the UN and its specialized agencies, as well as participating in the ADB.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL INDON–US. Secret. Drafted by Green and approved by William Jorden on September 30. William Jorden also prepared a memorandum for the record of this meeting on September 27. (Johnson Library, National Security File, Country File, Indonesia, Vol. VII, 5/66–6/67) The meeting took place in the White House. The closing time of the meeting is from the President's Daily Diary. (Ibid.)

2. The President asked the Foreign Minister as to his views on what might be done, that is not already being done, to bring peace to Viet-Nam.

3. The Foreign Minister replied that his Government had had talks with officials of Thailand, Malaysia, the Philippines and other Asian countries regarding Viet-Nam. He felt that all these countries had a strong common stake in seeking peace for Viet-Nam. However, Indonesia believes that any role which it could play in promoting peace should be pursued quietly with minimum public notice. Indonesia would thus hope to be in a position at the right time to exert a useful influence toward resolving the conflict. Meanwhile, it was his view that South Viet-Nam and its allies were left with no alternative but to maintain a strong position in defending South Viet-Nam.

4. As to the President's specific question about what the U.S. should or should not be doing in Viet-Nam, the Foreign Minister said that his country felt it was going to be difficult to reach any peaceful solution as long as the bombings of North Viet-Nam continued. He nevertheless recognized that North Viet-Nam is sending men and supplies to South Viet-Nam so that it may be difficult for the U.S. to cease bombing of installations related to these operations.

5. The President agreed with this latter observation, commenting that the U.S. is prepared to stop the bombing if the other side halted its aggressive actions. The President then inquired whether, in the Foreign Minister's opinion, the Communists had been decisively beaten in Indonesia.

6. The Foreign Minister replied that the PKI has suffered a major setback but it still retains recovery capabilities which, if the new Government proves unable to improve economic conditions, could well lead to a resurgence of Communism. Thus, Indonesia's fundamental task is improvement of the nation's economy.

7. In response to the President's inquiry as to what is being done to cope with this problem, the Foreign Minister replied that his Government's immediate need is food and clothing for the people, reactivation of industries, infrastructure improvement, and above all, overcoming the serious inflation now gripping Indonesia. Mr. Malik referred briefly to the Government's stabilization program which is now getting underway and which envisages a balanced budget in 1967 assuming an adequate amount of new foreign aid.

8. Mr. Rostow elaborated on steps which Indonesia is taking in the field of economic recovery. He described the role of the Fund and the Bank in advising Indonesia on its stabilization program, the outcome of the Tokyo meetings on debt rescheduling, and the close cooperation we hope to achieve with other countries in regard to future assistance to Indonesia.



9. The President said that he thought it most important that close cooperation be maintained between Indonesia and those countries providing assistance in order to make most effective use of all resources, external and internal, required for Indonesia's economic rehabilitation. He believed that these efforts should relate to a specific rehabilitation and development plan drawn up in consultation with a competent, objective authority such as the IMF.

10. The President said he was watching developments in Indonesia with the greatest interest, and he extended to Foreign Minister Malik and his associates his best wishes.

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**225. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, October 27, 1966, 1030Z.

2007. Subject: Need for Military Assistance Program in Indonesia.

1. Events of past several months clearly indicate that "new political order" in Indonesia will be army planned, army built and army sponsored and that it is army which will remain dominant political force in Indonesia for a long time to come. We are pouching airgram which discusses army plans for the "new Indonesia" in depth.<sup>2</sup> Following is summary of our analysis:

A. Army has reached firm conclusion (which we share) that at present it alone possesses the cohesiveness and leadership necessary to establish "new political order" in Indonesia. Army also believes that failure on its part to take initiative would lead to political dissension and direct threat to Indonesia's unity. Army has set itself deadline of slightly less than two years to establish "new order," which elections scheduled to be held by July 1968 will confirm.

B. Army's basic goal during interim period is to establish stable and responsible administration. It will seek to do this by broadening popular participation in government while maintaining strong central

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, DEF 19 US–INDON. Secret. Repeated to CINCPAC for POLAD.

<sup>2</sup> Airgram A-210 from Djakarta, October 29. (Ibid., POL 2 INDON)

control. In short, it will attempt to find middle road between pitfalls of Sukarno's authoritarian regime and freewheeling political party activity of early 1950's. This task, it believes, will require tight hand on reins.

C. Even after "new order" established, army will continue to exercise what it regards as its "historical right" to remain in government arena as separate political force. Army already holds overwhelming majority of key posts in regional administration (in addition to powerful and wholly military pepelrada structure); it is also becoming increasingly evident in second echelons of central government and is moving deeper into key national enterprises.

2. We believe army's assessment of role it must play is valid and that its formula for "new order" is essentially right mixture for Indonesia. In fact, there appears to be no workable alternative short of outright military dictatorship which Suharto hopes to avoid. This means that USG must contemplate working with an army controlled government not only during two year transition period but well into "new order."

3. In addition to its essential function as architect of "new order," military must, for compelling political reasons, be given constructive role in new society. Suharto has repeatedly emphasized in his talks with me that the military must have a strong sense of mission directed towards improving conditions of life in Indonesia.

A. Useful activities must be provided for army personnel in order to help curb corruption and to prevent army personnel from engaging in hooliganism or unhealthy political activity. Constructive military outlets could also mitigate trend towards military moving into all sectors of government and economy.

B. Suharto must also produce some early and clearly visible progress towards improving people's lot in order retain their confidence and ensure his own dominant role over others who would move directly toward military junta. Civic action type projects, aside from ultimate economic impact, can yield immediate psychological profit demonstrating army's concern for public welfare. Army, which has clearest command channels, most equipment, most readily available manpower and one of largest pools of technical expertise, is in best position to undertake projects of this nature.

4. Suharto now lacks the resources, particularly equipment, to fold the military into such constructive operations in meaningful way. Meeting these requirements with Indonesia's own foreign exchange resources would cut into other vital projects and could easily create animosity toward the military for removing funds from civilian sector.

5. US assistance for Suharto's program would allow us to influence and strengthen the hands of those who will be running this country for the next several years and who, in harness with good civilian

leaders, are best qualified to do so. In short, this program would give us multiple returns on a relatively small investment.

6. I therefore urge that a modest military assistance program be instituted for Indonesia soonest. Such a program would include:

A. Spare parts, replacements and technical advice for Indonesian military civic action program.

B. Military sales program to enable Indonesian military to buy certain additional items which are compatible with their present role.

C. Selective non-combatant items to help improve morale within army and strengthen position of General Suharto and his colleagues.

D. Training program along lines already envisaged to train key Indonesian officers, especially in civic action field.

**Green**

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**226. Memorandum From the Chairman of the Joint Chiefs of Staff (Wheeler) to Secretary of Defense McNamara<sup>1</sup>**

CM-1880-66

Washington, November 1, 1966.

**SUBJECT**

Proposed Military Assistance Program for Indonesia (U)

1. (C) Reference is made to a letter from the Acting Deputy Under Secretary of State for Political Affairs, dated 19 October 1966, to the Secretary of Defense, that recommends a FY 1968 Military Assistance Program (MAP) of \$6 million for Indonesia.<sup>2</sup>

2. (C) As stated in the reference, there is no direct military requirement for an Indonesian MAP. Nevertheless, it appears prudent to implement a small MAP to support the civic action endeavors of the Indonesian Armed Forces. In this regard, Secretary Thompson has presented a substantial case in support of his proposal.

3. (C) The illustrative program presented by the reference is adequate for its purpose; however, the actual content of the program should be subject to CINCPAC recommendation and review by the Joint Chiefs

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<sup>1</sup> Source: Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 6648, 000.1 Indonesia, 1966 (091.3 Indonesia). Confidential.

<sup>2</sup> This letter is attached to a letter from Underhill to Robert A. Feary, CINCPAC's POLAD, October 24. (Ibid., RG 84, Djakarta Embassy Files: FRC 69 A 6507, Def 19 US-Indo)

of Staff. Further, to provide \$6 million in the FY 1968 MAP would in all likelihood result in the majority of the material and services being provided in CY 1968 with some items of material not being received until CY 1969. This two- to three-year delay is considered untimely and possibly detrimental to its intended purpose.

4. (C) To provide timely assistance to Indonesia, it would appear that requirements should be funded in FY 1967. It is believed that this can be done within funds that are, or will become, available to the FY 1967 MAP without reduction of individual country programs, provided add-on requirements for Laos are included in the FY 1967 Department of Defense supplemental appropriation. If this can be done, it is recommended that:

a. A \$6 million material and services program be provided under the FY 1967 MAP and that, for planning purposes, the FY 1968 MAP dollar guideline for Indonesia be established at \$6 million.

b. If necessary, Indonesia be included within the Mundt Amendment in lieu of one of the terminated countries, other than Japan.

**Earle G. Wheeler<sup>3</sup>**

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<sup>3</sup> Printed from a copy that indicates Wheeler signed the original.

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## 227. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>

Washington, December 7, 1966.

98121. Ref: Djakarta 2565.<sup>2</sup>

1. There is general agreement here on desirability assisting Indonesian military at earliest feasible date in its civil reconstruction program. We are willing examine not only MAP but entire range U.S. assistance

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, DEF 19-8 US-INDON. Confidential. Drafted by Underhill; cleared in draft by Nuechterlein and by Sherwood F. Fine, Officer-in-Charge of Indonesia, AID; and approved by Berger. Repeated to CINCPAC for POLAD and Algiers for Harriman.

<sup>2</sup> In telegram 2565 from Djakarta, December 1, Green reported on a meeting with Malik on November 29 in which Malik made a "strong plea for immediate USG assistance to civic mission projects" on behalf of Suharto and the Cabinet. Green suggested that in view of the deteriorating political situation in Java, "major stakes are involved in our response to this request." (Ibid.)

capabilities, and commit available resources where they will meet Indonesian priority needs.

2. As you have pointed out to Malik and military, our readily available resources are limited, and even if committed to utmost, they could not satisfy unrealistic expectations still apparently held in some quarters, nor have significant impact on vast complex of politico-social problems in East and Central Java. For psychological and political reasons, it is important that military leaders have some tangible evidence of our backing, but it seems realistic accept from outset that we cannot provide more than token support to an effort which must be essentially Indonesian in conception and execution.

3. Necessity for small program also meets Malik's request we keep program on modest scale and examine carefully what military is already doing in civic mission field. He appears reflect growing civilian concern that any substantial direct foreign assistance to dominant clientele group could strengthen forces tending separate military from civilian society.

4. Accepting necessity and desirability for small program, basic practical problem is relating feasible U.S. contributions to Indonesian needs. As it has emerged from your conversation with Malik and the Generals reported reftel, and in previous talks with ARMA and Chief DLG, Army's civic action program is still in blueprint stage with substantial support needs expressed in general terms unrelated to specific missions and projects. All conversations have carried unspoken but clear indication that implementation is awaiting commitment U.S. resources and U.S. planning assistance and feasibility studies. Difficult to reconcile this apparent inactivity with urgency reflected in Hartono statements. Indo Army has had 16 years experience and number of conspicuous successes in independently conceived and executed civic action projects, and needs little guidance in this field. Such projects are inherently labor intensive, and despite recognized shortages, there should be sufficient hand tools and other items of equipment available to get projects underway without outside assistance. Even modest beginning should bring desired political and psychological impact. Indonesian military has in past shown impressive level professional competence in coping with logistic support of two major military campaigns in most distant islands of archipelago, and we believe it should be able to begin program of road repair, irrigation works rehabilitation and other basic civil jobs on central island of Java that would not require extensive use of motorized equipment. Believe we should continue to underline strongly your statement (para 4 reftel) that Army should press ahead with needed programs regardless of outside help.

5. Experience in U.S. supported 1963–64 civic action program provides clear evidence that U.S. assistance was most effective when it backstopped and supported established individual projects already in progress. Participation in planning, or giving feasibility advice on plans still on drawing board, carries with it implied commitment, and when we become involved in either process, Indonesians tended to shift to us both the burden of providing resources as well as the responsibility for success or failure. Necessity of small program as well as desirability require Army move ahead on its own, indicate clearly that our initial assistance should be restricted to support of projects already underway, and that we should not become involved in planning or feasibility studies.

6. On basis foregoing you may reply to Malik along following lines:

- a. We wish to do what we can to help military in its civic mission.
- b. The resources that we can make available are limited and we believe they could best be utilized in support of projects already underway.
- c. We would like to examine such projects, and in consultation with Indonesian military, attempt to relate priority needs with our capabilities to help. At an appropriate time, we would be prepared to send several military engineering specialists to survey equipment.

7. FYI—Before detailing TDY personnel, believe you should proceed soonest with plans for Chief DLG and AAO to visit on-going projects (Djakarta 2472).<sup>3</sup> Based on their reports, we would plan send team composed of military engineering officer and non-coms to survey equipment, and such A.I.D. specialists (e.g. in Title II) as AAO considers appropriate. Other supporting evidence of Army civil activity would also be welcome, and all mission travelers should be alert to this interest.

**Katzenbach**

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<sup>3</sup> Dated November 25. (Ibid.)

## 228. National Intelligence Estimate<sup>1</sup>

Washington, February 15, 1967.

### PROSPECTS FOR INDONESIA

#### The Problem

To assess current trends in Indonesia and to estimate prospects over the next year or so.

#### Conclusions

A. Suharto and his anti-Communist military and civilian coalition are clearly in charge in Indonesia and are likely to remain so, at least for the next year or two. Although Sukarno's influence is declining steadily, he is still a major preoccupation of the regime, an obstruction in its daily work, and a source of political embarrassment. During 1967, however, he will probably be stripped of all effective political power, retaining at most the ability to offer occasional encouragement to frustrated leftist elements.<sup>2</sup>

B. With the Communist Party already destroyed as an effective force in today's politics, the neutralization of Sukarno would greatly improve the outlook for political stability in Indonesia. Nevertheless, there will still be major problems of adjustment. Civilian politicians will be in conflict with military leaders reluctant to share power. And the mass parties of the Sukarno era will have to compete for influence with resurgent and reformist political elements closer to Suharto's "new order."

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<sup>1</sup> Source: Department of State, INR/EAP Files: Lot 90 D 165, NIE 55–67. Secret; Controlled Dissem. The Central Intelligence Agency and the intelligence organizations of the Departments of State and Defense, and the NSA prepared this estimate, which was concurred with by all members of the U.S. Intelligence Board except the representatives of the AEC and FBI who abstained because the topic was outside their jurisdiction. In a memorandum to Rusk summarizing this estimate, Hughes indicated that there was wide agreement among the USIB members with its conclusions. (Memorandum from Hughes to Rusk, February 24; *ibid.*)

<sup>2</sup> In Intelligence Memorandum No. 0794/67, February 17, "Prospects for Violence in Indonesia," the CIA's Office of Current Intelligence, Office of National Estimates, and the Clandestine Services concluded that, "Isolated armed incidents by pro-Sukarno elements are likely if Sukarno refused to resign and was deposed by congressional action." The principal areas for opposition would be East Java where Sukarno still had support among the marines, police, and the general population, and possibly Central Java, North Sumatra and even Djakarta. Long-term dissidence was unlikely. (Johnson Library, National Security File, Country File, Indonesia, Vol. VII, Memos, 5/66–6/67) Ropa asked that the CIA send this assessment to the White House and he passed it to Rostow under cover of a February 17 memorandum. (*Ibid.*)

C. The Indonesian economy cannot quickly recover from a decade and more of ruinous mismanagement, but it is probable that economic conditions will at least cease to deteriorate and begin to improve within a year or two. If foreign assistance continues at high levels and government administration becomes more effective, an economic upturn could probably be sustained until 1970. The need for foreign economic assistance—which can only be expected to come from the US, Japan, and Western Europe—virtually assures continuation of Indonesia's new Western-leaning foreign policies.

[Here follows the Discussion section of the estimate.]

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## 229. Memorandum of Conversation<sup>1</sup>

Washington, February 17, 1967, 2 p.m.

### PARTICIPANTS

The Vice President  
Marshall Green, U.S. Ambassador to Indonesia  
John Rielly, Assistant to the Vice President

Ambassador Green reviewed the situation in Indonesia that led up to the revolution of 1965. He pointed out that American experts like Guy Pauker (Rand Corporation) had concluded by 1965 that Indonesia was definitely going Communist. Sukarno had announced in 1965 that Indonesia was going to form a Djakarta-Peking Axis. The Indonesian Communist Party (the PKI) launched its coup at the time it did in 1965 because although it was steadily increasing its influence in Indonesia, it feared the death of Sukarno, who was long rumored to be seriously ill. At that time it was estimated that the PKI had 3 million members and approximately 25 million supporters in various front groups throughout Indonesia.

In the coup the PKI aimed to eliminate seven top generals in the army. They ultimately succeeded in killing five of these, but two—the most important, Nasution and Suharto—escaped. The Com-

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VII, Memos, 5/66-6/67, [2 of 2]. No classification marking. The meeting was held in Humphrey's office in the U.S. Capitol building. Humphrey sent this memorandum to Rostow under cover of an attached March 9 memorandum. Humphrey asked, "for reasons that will be apparent in the memo," that the record of his discussion not be circulated. Humphrey hoped that Green would be able to meet with the President on his next trip to Washington.



munists had by 1965 penetrated the Air Force, Navy and some of the police. The Marines were also sympathetic. The Army was the staunch bulwark against the PKI, although certain parts of the Army had also been penetrated. Given this pattern of infiltration, the situation in Indonesia in 1965 was fragile and precarious. Had there been an external threat to Indonesia from the North, and had the United States not taken a strong position in Southeast Asia by that time, the PKI would have been strengthened. The generals who ultimately triumphed would have been gravely weakened in the estimate of Ambassador Green.

The reaction to the coup launched by the PKI was indeed a bloody one and most reliable estimates indicate that 300 to 400 thousand Indonesians were slain. The manner in which the generals of the Army were slain inflamed the peasants and the people. A special corps of PKI women had been trained to slash the generals to death—which they did. When photographs of the slain generals were circulated around the Island, the reaction against the local Communists was intense. They were already unpopular because of their harassment of religious groups such as the Moslems, and because they had taken over much of the power in local areas. The result was a blood bath in which many of the Communists were killed.

By November and December of 1965 the Army consolidated its position. But it decided to let Sukarno stay around. Sukarno made a counter-bid for power in January, February and March of 1966. It was at that time that the students went into the streets to demonstrate against Sukarno. During this period of demonstration the United States Embassy was attacked on March 8, 1966. At this time Suharto made a very shrewd move in the opinion of Ambassador Green. He informed Sukarno in March that his life was in danger because the students were marching on the Palace. He, Suharto, could not protect Sukarno's life unless Suharto was given full powers. Only then did Suharto get full powers. But he nevertheless did not remove Sukarno at that time in part because he feared a reaction in Java where Sukarno had a strong following. Also Sukarno provided a common enemy which welded all groups together.

By early 1967, however, Suharto and his colleagues had decided that it was time to get rid of Sukarno. They will try to remove him soon, but hopefully he will resign voluntarily before the meeting of the top leadership now scheduled for March 8th. Sukarno will fight back and of course will allege that many of those against him are implicated in a CIA plot. That is his standard routine. In the view of Ambassador Green, Sukarno is not likely to survive this time.

Viewing the members of the present Government, Ambassador Green commented that the Sultan of Djakarta is a nice man, but not too powerful. Suharto is astute and clever and works hard at governing

Indonesia. Malik is one of the cleverest men he had ever met. He is particularly clever in tactics. Malik single-handedly brought an end to the confrontation on Malaysia and brought Indonesia back into the United Nations. However, he has no independent political base. He has a good relationship with Suharto, but he is nevertheless fearful of too great a military influence in the Government. This is a problem for him as Foreign Minister because too many of the Ambassadorships are going to military men, which weakened his own position in the Foreign Ministry.

There is an important problem of keeping the military happy in Indonesia. Because assistance was discontinued by most external powers, the Indonesian Navy has had to mothball the fleet. Many other installations have been cut back. The consequence is that there are many military men available who have to get jobs. Suharto knows that he has to modify the military set-up, but he doesn't want the military to absorb too much power itself. He is purging the Air Force slowly and is moving gradually to make certain of the loyalty of the Army. He wants to have an absolutely sure base in the Army first before moving to "purify" the rest of the armed forces. He also realizes the need at some point to form a political party, but he wants to develop a stable base in the Army first.

Suharto is intent on setting up civic action programs to divert the energies of the military in solving the problems of his own country. On May 26th Suharto asked Ambassador Green for assistance to do a long list of things in the civic action field. Ambassador Green suggested that foreign enterprise could do many of the things that Suharto suggested his own military do. He stated that some military assistance however is desirable, perhaps \$6 million plus another \$2 million for spare parts. In his view, as he reported it to Suharto, the Indonesian military should concentrate on the food problem. The military have grandiose ideas of what is needed. Nevertheless, although we cannot respond to their full request, we can give some assistance. In dispensing aid, timing is extremely important. He sensed that the Indonesian military are becoming impatient because we have not responded to their recent requests.

Responding to the Vice President's question, Ambassador Green said he talked to President Johnson about Indonesia in September of 1966. The Vice President described his contacts with the Indonesians going back to 1949. Malik was one of those who had visited the United States at that time. The Vice President had managed to keep in touch with Malik and some of his friends over a long period of time. The Vice President had talked to Prime Minister Sato of Japan about Indonesia when he visited Japan in January of 1966. He stated that he hoped Japan could be ready to help if needed, because the United States

would not be able to move in there for political reasons. The Vice President said he had had further discussions about Indonesia when he went to Thailand in February of 1966, where members of his party had contacts with representatives of Suharto.

The Vice President said he understood perfectly well why a man like Suharto must keep the military happy. We must understand this fact and he was sure that the President was sensitive to it. He knew that the President had a very high regard for Ambassador Green and great admiration for the role he has played there in the last year and a half. He noted the great timidity in the United States Government on the question of Indonesia and a lack of interest in some circles. There had been a National Security Council meeting in the summer of 1966 on this subject, the meeting called chiefly at the request of Walt Rostow and the Vice President.

The Vice President said that he readily agreed with the Ambassador that the timing of our action is important just as the timing of inaction is important. He appreciates the "low posture" which the Ambassador and the United States Mission has taken in Djakarta in the past year and a half. If the Ambassador believes that further action is now needed, he must really press his case here in Washington. In the Vice President's view, he should make the case directly to the President. The President is very much interested in Indonesia, both for itself and also as a dividend of the stand that the United States is taking in Vietnam.

The Ambassador pointed out that United States influence is apparent in Indonesia and that our AID programs have borne fruit. For example, General Suharto regularly consults five economists in preparing for major economic decisions. All of these economists were trained in United States universities, three at Berkeley, one at Harvard and one at MIT. Similarly, our military training program has proved to be a great success and many of the people who both launched the coup and are in key positions of power today, were trained in the United States.

Ambassador Green stated that Indonesia must first deal with the resolution of its debt problem. Then we can focus on the foreign aid problem. There is a question of how much Indonesia can absorb at this time.

The Vice President agreed that the economic and social development program needs careful appraisal. We must not rush into a bilateral program before we have explored the possibilities of channelling aid multilaterally, before the consortium of nations has made its appraisal. Nevertheless, we must not lose sight of the fact that Suharto must take care of the Army. We must have a civic action program to put them to work and keep them busy. For this modest amount of goods and

money is needed, and can do a lot of good in helping Suharto at this time.

Ambassador Green stated that Secretary McNamara had resisted this previously but was now prepared to change his mind. McNamara had sent out a team which would be bringing back an evaluation shortly.

The Vice President said he hoped the Pentagon would do better in regard to Indonesia than it did on Laos. It had taken an unconscionable amount of time to get aid in Laos and he hoped that this would not be true of Indonesia. Ambassador Green noted that nothing had been delivered yet in the civic action field although he expected something would be. As of this date, they are waiting for the report of the Pentagon team. He added that in his view the State Department had never fully understood the need for civic action assistance, such as quartermasters' supplies, and spare parts.

Discussing the AID program there the Ambassador stated that what is most important is not only how much we give but the way we give it. When we have a large AID staff and a large USIA staff this results in a huge presence which breathes down the neck of Indonesians. They feel they are being treated like a client. The Ambassador's policy has been to reduce the United States presence generally, not only with AID but with USIA and other agencies. He advocates having no libraries under USIA auspices. Given the situation there and the staff presence that would be necessary, this would be counter-productive. He would rather spend the money on the books and place them in Indonesian libraries leaving them with the responsibility.

In general, he would place more responsibility on the Indonesian Government. We have ways of checking up on them in the end. He said that Administrator Bill Gaud and his Deputy-designate Rud Poats agree. But the lower echelons of AID have other habits acquired over a long period of time. The question of style, of how one does this is so important. It is not just a question of policy. He believes that the success that the United States has had in Indonesia is due to the fact that we cut down on our profile. Also there were very few if any statements here by United States public officials about Indonesia. During the past year and a half he has tried to have his Embassy be just one more Embassy in Jakarta.

We are now starting again with a new slate. In his view we should have some aid but we want to begin right. He has four AID officials now and he hoped to go up to not more than 13. He definitely wants to hold it down.

The Vice President stated that this certainly coincided with his approach and that of the President of trying to emphasize a multilateral approach to foreign aid, trying to get others to help share the burden.

Ambassador Green concurred, stating that our overwhelming presence in countries like Indonesia invariably creates resentment. Another reason why they have been successful in the past year and a half is because Indonesia has been spared the usual influx of visitors from the United States and other countries.

Ambassador Green stated that he was aware of the desire in February of 1966 of some officials in Washington (the Vice President included himself in this) to begin assistance to Indonesia then. The Ambassador stated that he was inclined to favor it at this time, but he was counseled by Malik "not yet." He checked it out and found that Nasution and Suharto concurred in that recommendation at that time. In May Malik informed him that the time was right and that they wanted aid. Ambassador Green reported that they were able to put together an emergency package and they got it out there on time. It made a terrific impact because it was on time.

The Vice President repeated that he hoped that the Ambassador would have a chance to talk to the President before he departed for Djakarta. He said he would contact Walt Rostow in this regard and if he had an opportunity would talk to the President about it himself.

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**230. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, February 20, 1967.

SUBJECT

Aid to Indonesia

Agriculture (Secretary Freeman) and AID (Bill Gaud) have asked your approval to pledge up to \$40 million of additional PL-480 and

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VII, Memos, 5/66–6/67. Confidential.

up to \$20 million of additional Support Assistance for Indonesia in 1967.<sup>2</sup> Their request has been endorsed by the Budget Bureau (Schultze) and Treasury (Joe Barr).<sup>3</sup>

This proposal is based on an estimate that Indonesia will require \$210–\$240 million in total aid this year if it is to carry out its stabilization program. Our portion of the total would be no more than one-third, up to a maximum of \$85 million.

We have already committed \$36 million in AID and PL-480 funds this year. The remaining \$49 million would be a mix: \$30–\$40 million in PL-480 and \$10–\$20 million in support assistance. The amount, commodity composition and terms will be worked out in the inter-agency review.

AID funds will be limited to procurement in the United States to minimize any adverse effect on our balance of payments.

As you know, the new Indonesian leadership has been fighting an uphill battle to undo the damage of Sukarno's years of misrule. They have worked closely with the IMF in laying out their plans for the future. Our specialists consider those plans to be realistic.

But they do need help, from us and from others.

The potential aid donors will be meeting in Amsterdam on February 23–24. This is a follow-up to the debt re-scheduling conference in Paris last December.

Our delegation wants authority from you to discuss this with the Indonesians and others on the basis of a pledge from us of up to one-third of the total requirement, i.e. no more than \$85 million (of which \$36 million has already been committed).

The Amsterdam meeting is not, strictly speaking, a pledging session. But our State and AID officials believe that this vital aid program will not move as it should if we can make no pledges or talk in terms of what we can be expected to provide. They consider it most important that they have the authority as outlined above.

I asked for a reading of sentiment on the Hill. Bill Bundy discussed the Indonesian problem on January 18 with the Foreign Affairs Committee. He reports that the members viewed with understanding our efforts to help Indonesia and to take part in lending support to the new leadership. Ambassador Green had a 90-minute session with the Foreign Relations Committee on January 30. He said the members welcomed the multilateral approach in meeting Indonesia's needs and endorsed our participation in a program to afford Indonesia critically

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<sup>2</sup> In a joint memorandum of February 16. (Ibid.)

<sup>3</sup> In a memorandum of February 18. (Ibid.)

needed assistance. In separate sessions, Senator Mansfield, Congressman Morgan and Congressman Zablocki voiced full agreement to our giving timely assistance to Indonesia.

I believe the requested authority should be granted on the basis of the Agriculture–AID memorandum.

**Walt**

Proposals approved

Disapproved

See Me<sup>4</sup>

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<sup>4</sup> Johnson wrote the following note: “W[alt]—Check out House & Sen Leadership. Also For Rel Com & For Affairs. Top 3 on each side and report reactions. L.” In a memorandum to the President, February 23, Jorden reported that Katzenbach and Bundy spoke with Congressional leaders who were all in favor. The leaders were told that the United States was trying to convince Japan and the Europeans each to match the U.S. one-third offer. (Ibid.) Johnson wrote the following note on Jorden’s memorandum. “O.K. on assumption Japanese and Europeans go 2/3 to match our 1/3. We will go on that basis. L.”

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**231. Memorandum From the President’s Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, February 21, 1967.

**SUBJECT**

Talk with Ambassador Marshall Green

On your instructions,<sup>2</sup> I had a useful talk with Marshall Green. He underlined the following in discussing Indonesia today:

1. Our efforts in *Viet-Nam* had a definite and favorable impact on developments in Indonesia. General Suharto could not have reacted

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VII, Memos, 5/66–6/67. Confidential.

<sup>2</sup> In a February 20 memorandum Rostow asked the President if he wished to meet with Ambassador Green for “a quick but thorough outline of the problems we now face.” Johnson instructed Rostow to “debrief him & give me 1 page memo on high points.” (Ibid.)

as he did to the Sukarno–Communist coup if a serious threat from the North had existed. Our involvement in Viet-Nam is part of our total posture in the area—with favorable effects in Indonesia and elsewhere. However, we should avoid public discussion of the effect on Indonesian internal developments.

2. On *Communist China*, recent developments confirmed the Indonesian view that Peking's policy was wrong and "ideological absurdity" (Maoism). The Indonesians feel more secure. They also have more confidence in us, because only we really oppose Peking's policy.

3. *Sukarno* will be out of power, probably soon. Suharto has wisely followed the constitutional path in cutting back Sukarno's power. Sukarno has destroyed himself.

4. The *new government* is working for the people. Suharto and Co. feel they *have* to win; their lives are on the line. Failure will mean their destruction. The Communists will try to pay back the blood debt. Green sees some risk of the military overriding the civilians politically, and will advise against this course.

5. The government is pursuing a pragmatic economic policy.<sup>3</sup> Green notes that the five leading economists in Indonesia on whom Suharto and his colleagues rely were all trained in the U.S.

6. Main problems of the new regime:

- to maintain the unity of the new order;
- to get going on economic progress.

Green notes progress is debt-rescheduling. Now, we should push economic assistance. (The plan for U.S. help, in cooperation with other donors, is on your desk;<sup>4</sup> it will be discussed at Amsterdam later this week.)

Green thinks the proposal is minimal. It is important we be forthcoming with the Indonesians: (1) to give them needed assurance; (2) to stimulate others to help more.

Indonesia faces severe problems; prices have been rising. There is rising popular discontent. Any evidence we are going to help will be heartening in Djakarta.

Green was pleased that we are moving fast in the civic action field through MAP. This is "relatively minor, but crucial."

The Ambassador has two concerns about the immediate future:

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<sup>3</sup> In Intelligence Memorandum RR IM 67-8, February 1967, "Prospects for Economic Development in Indonesia," the CIA concluded that the economic situation in Indonesia would improve over the next 2 to 3 years. The speed of recovery depended "not only on the level of foreign aid but also on the progress in establishing an orderly state administration and a more stable environment for private enterprise." (Ibid.)

<sup>4</sup> Document 230.



1) Can we give enough fast enough to help the Indonesians out of their current troubles?

2) Can we help in ways that will minimize frictions and maximize our political advantage?

The Ambassador would like to see less red tape in aid administration. He would put heavier responsibilities on recipient governments rather than looking over their shoulders at every turn. He understands Congressional pressure on this, and that we cannot make one country an exception. He notes that present procedures require large AID missions, which he considers self-defeating politically.

Overall, Green thinks:

- there have been tremendous changes in Indonesia;
- things are going to get better;
- Indonesia is a vitally important “swing” country in Asia;
- the important thing is to consolidate the gains that have been made—to not let things slip backward.

The Japanese Government wants to play a more important role in Indonesia. There is resistance in the Finance Ministry and the Diet. He is worried Japan won’t do as much as it should. He will consult with the Japanese on his way back to Djakarta.

There is significant Japanese private interest in investment. The Indonesian and Japanese economies are complementary.

The *Australians* should be doing more in Indonesia.

The *Dutch* are playing the most constructive role of all the Europeans.

During his leave, Green spoke to 30 important private groups around the country, audiences up to 500. He spoke “off the record” for the most part, and was able to stress the importance of our Viet-Nam action for Indonesia and for Asia. He strongly supported our policy in Viet-Nam.

He leaves tomorrow morning, unless you wish to see him.

**Walt**

**232. Memorandum From Secretary of Defense McNamara to President Johnson<sup>1</sup>**

Washington, March 1, 1967.

**SUBJECT**

Effectiveness of U.S. Military Assistance to Indonesia

General Suharto's assumption of the powers of the Presidency has dramatized the significant shift in Indonesia's political orientation that has been taking place during the past sixteen months. This shift began on October 1, 1965, when the Indonesian Army, led by General Suharto, put down a Communist-inspired coup d'état and then proceeded to eliminate the three million member Indonesian Communist Party (PKI) as an effective political organization. Having crushed the PKI, the Army turned to the more difficult job of stripping President Sukarno of political power and reorienting Indonesian foreign policy away from close association with Peking and toward accommodation with its neighbors and the United States. This process appears now to be entering its final stage; the Indonesian Army is nearing complete control of the Indonesian Government.

I believe that our Military Assistance Program to Indonesia during the past few years contributed significantly to the Army's anticommunist, pro-U.S. orientation and encouraged it to move against the PKI when the opportunity was presented. That the PKI was acutely aware of this instinctive opposition in the Army is shown by the fact that five of the six Army generals assassinated by the PKI on that fateful October 1 had received training in U.S. Army schools and were known friends of the United States. Moreover, after the Army had put down the revolt, the key jobs went to U.S.-trained officers. Suharto himself is not U.S.-trained, but all thirteen top members of his staff, the group that now governs Indonesia, received training in the United States under the Military Assistance Program. In my judgment, our decisions to invest roughly \$5 million to bring some 2100 Indonesian military personnel to the United States for training, and to continue the program even

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<sup>1</sup> Source: Washington National Records Center, RG 330, OSD Files: FRC 72 D 2468, Indonesia, 1967, 091.31MAP.Secret. Drafted by Steadman. Rostow transmitted this memorandum to the President under a March 3 memorandum, in which he noted that, "the 'New Order' leaders in Indonesia have given high priority to military civic action. They regard Ambassador Green's assurances of expanded MAP and our help in debt rescheduling and new foreign aid as votes of confidence, which they are, in their efforts to bring order out of chaos." There is an indication on Rostow's memorandum that the President saw it. (Johnson Library, National Security File, Country File, Indonesia, Vol. VII, Memos, 5/66-6/67)

during the bleak years 1963–65 when Sukarno was carrying on confrontation against Malaysia and working closely with Peking, have been very significant factors in determining the favorable orientation of the new Indonesian political elite.

Our total MAP to Indonesia from 1950 through 1965 was \$63.2 million. Roughly \$59 million was given in the years 1959–1965. Two-thirds of this (\$40 million) went to the Army and included over 100,000 small arms, some 2,000 trucks and other vehicles, and tactical communications equipment. When Sukarno began his confrontation against Malaysia in 1963, we eliminated from the program items that contributed to Indonesia's offensive capability, but we continued to supply small arms for support of the Army's internal security capability.

In 1962 we expanded the MAP to include engineering equipment for the Army's civic action program. A total of \$3 million of such equipment was delivered between 1962 and 1964. The civic action program was the brainchild of General Nasution (now Chairman of the Consultative Assembly) and General Yani (one of the generals killed by the Communists in October 1965) who believed the Army needed programs that would improve its image with the Indonesian people vis-à-vis the PKI. Another aspect of the civic action program was to bring key younger Army officers to the United States for training (at Harvard, Syracuse, and several other institutions) to prepare them for high level management responsibilities. This training proved to be of great value when the Army assumed control of the government.

We suspended shipments of new equipment to Indonesia in September 1964. In March 1965 we cancelled the remainder of the program, except the training of those Indonesians already in the United States. Roughly \$23 million for equipment, services, and training was cancelled, and the funds were subsequently recouped. However, we maintained close contact with the Indonesian Army leadership through our military attachés and our Defense Liaison Group, which was retained on a skeletal basis even after the termination of MAP.

In September 1966, when the Army had isolated Sukarno and formally ended confrontation against Malaysia, we resumed the military training program for Indonesian officers (at a cost of \$400,000 in FY 67). The primary emphasis of this training is on increasing the civic action capability of the Indonesian Armed Forces. During this past week, we have decided to increase the FY 67 MAP by \$2 million in order to provide spare parts for previously supplied engineering equipment and also some new equipment—all for the civic action program. In FY 68 we plan to give Indonesia \$6 million in MAP, primarily for support of the civic action program.

It would be presumptuous to claim that our military assistance and training were solely responsible for the anticommunist orientation

of the Indonesian Army, or even that they were the major factors in causing the Indonesian Army to turn against the PKI and swing Indonesia away from its pro-Peking orientation. Nevertheless, I firmly believe that these programs, together with our continued sympathy and support for the Army, encouraged its leaders to believe that they could count on U.S. support when they turned on the PKI and, later, against Sukarno. Our firm policy in Vietnam has also played a part in forming Army attitudes favorable to our objectives in Southeast Asia. A year and a half ago, Indonesia posed an ominous threat to the U.S. and the Free World. Today, the prospect is dramatically altered for the better. General Suharto's government is steering Indonesia back toward a posture that promises peace and stability in Southeast Asia.

**Robert S. McNamara**

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**233. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, March 15, 1967, 1105Z.

4287. Subject: Post-MPRS Political Situation.

1. MP RS session just concluded represents what is probably significant turning point for Indonesia. Not only has all effective power been formally removed from Sukarno<sup>2</sup> but of even greater importance for future of this country, basis has been laid for more healthy relationship among political elements. Civilians stood up and fought for what they believed in and military, to its credit, let them do so and in fact met many of their demands. Victory of civilian forces and "hawks" within military was not, however, so lopsided as to encourage them in future to challenge executive without good cause. Through it all, Suharto again showed his sincere dedication to democratic means (at any point he could have moved in and imposed solution), his ability to juggle

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 15 INDON. Secret. Repeated to Bangkok, Canberra, CINCPAC for POLAD, Hong Kong, Kuala Lumpur, Manila, Medan, Singapore, Surabaya, Tokyo, and Wellington.

<sup>2</sup> According to telegram 4239 from Djakarta, March 13, Suharto was sworn in as Acting President at 10:45 p.m. on March 12 after the People's Consultative Assembly—Provisional (MPRS) accepted by acclamation that afternoon a decree withdrawing Sukarno's mandate. (Ibid.)

political forces and his skill in gaining consensus for his actions. These traits will be invaluable as he tackles difficult tasks ahead. Following is our estimate of major political steps in months ahead as Indonesia moves toward elections scheduled for mid-1968.

2. We do not foresee an early crystallization of political forces into lasting coalitions on order of that evolving in MPRS session. On contrary, we expect constant shifting of political alliances as issues succeed each other. Moslems may at points be pitted against secularists and Christians. Two giant Javanese parties (NU and PNI) may form tactical and temporary alliances against outer-island organizations. Political parties will find themselves united at times against military with action fronts in swing position. Finally military itself will probably divide occasionally on certain issues with each faction picking up different civilian allies. This type of political kaleidoscope suits well Suharto's political technique. He works largely as "loner" and in anti-Sukarno campaign proved himself adept at juggling political forces.

3. Sukarno, of course, represented only first of many issues which will eventually determine nature of new regime. In his speech accepting MPRS mandate, Acting President Suharto placed most emphasis on general elections as culminating test for new order. We suspect that both political and economic activities will now focus in large part on this distant event.

A. First on agenda for parliament is government's electoral package (bills on parties, parliament's composition and election system). These bills will probably stimulate heated debate. NU will join PNI in fighting single-member constituency system, and parties as whole will probably seek maintain unaffiliated functional group representation in general and military contingent in particular at present level. MP's attached to action fronts may side with military on some of these issues. We expect that customary Indonesian compromise will be reached involving perhaps combination of single member constituency and proportional representation systems.

B. Parties will press hard for portfolios in cabinet, which are important source of funds and patronage needed to wage election campaign. Although Suharto may be forced to give a little, we suspect that he will maintain principle of "working cabinet" leaving parties largely restricted to representative bodies. Cabinet reshuffle may well occur within next few months but will probably be aimed more at increasing cabinet's efficiency than satisfying political party demands. Such figures as Malik and Sultan seem safe, although latter may be bolstered by appointment of qualified technicians to some economic portfolios.

C. Suharto in particular and armed forces in general are also "running" in coming election. Their showing, as Suharto is well aware, depends on success of Ampera cabinet. We can expect NU, PNI and

other parties to attempt discreetly exploit any lack of progress in economic sector, particularly if they have been unsuccessful in obtaining cabinet posts. Suharto will thus continue concentrate on his economic program, increasing pressures on foreign governments to contribute. Ironically, lack of progress in this sector may well prolong cabinet's life as Suharto and military will be unwilling face election unless and until adequate progress has been made.

D. We expect election to be postponed for six months or year at least, ostensibly on administrative grounds, and few should genuinely object. Postponement will apparently require reconvening of MPRS, probably month or two before present election deadline (July 1968).

4. General Suharto's primary political base will remain the armed forces and we believe that he will [do] more to strengthen his hold over military services.

A. Changes in top navy and police leadership is high on agenda. Suharto perhaps hopes that Navy Minister Muljadi, Marine Commandant Hartono and Police Minister Sutjipto will fall of their own weight once their underlings assess their failure to influence significantly outcome of MPRS session. After cooling off period, Suharto might personally take hand in their ouster and perhaps ask Adam Malik to cough up more Ambassadorial positions.

B. Suharto may also seek reduce political power of army hawks. He is especially wary of allowing regional commanders to build up powerful political bases in non-Javanese areas. General Dharsono is doing just that in West Java as is General Solichin in South Sulawesi. They may be assigned to staff positions along with Kostrad Chief of Staff Kemal Idris and RPKAD Commander Sarwo Edhie. These shifts will probably be done gradually and in manner not unduly harmful to their military careers or alarming to their supporters.

C. Pressures will continue, especially from political parties, to persuade Suharto to relinquish one or both of his military portfolios. We suspect that he will not do so at least until he has accomplished measures mentioned above.

5. Students may pose occasional problem for Suharto. Military will now wish to put them back into classes but they are understandably reluctant to disband successful action front organizations. Accustomed to regarding themselves as voice of people's conscience and cognizant that some cause is necessary to keep their organizations intact, students may be tempted to take to streets again to protest unpopular measures. In this eventuality they would be pitted directly against the military and we do not rule out clashes such as occurred on October 3. This threat, however, will probably subside with time.

6. Suharto's long range concern is latent threat from left. Additional military operations against isolated neo-PKI forces in Java as

that conducted against Mbah Suro (Djakarta 4183)<sup>3</sup> will be undertaken, either at Suharto's command or at initiative of individual army commanders. PNI also continues to worry Suharto. He may make another big effort to clean up this party, perhaps dictating further changes in its leadership, Suharto's overall goal is not tonjoiveanese [*to increase Javanese?*] secularist voice to balance rising Moslem-outer island coalition.

7. We do not foresee any significant changes in GOI foreign policy, which has proceeded for most part unobstructed by struggle with Sukarno.

8. In sum, Suharto's expert handling of leadership question has placed him in good position to face multitude of problems which have been awaiting termination of anti-Sukarno campaign to surface. Statements of support voiced at Amsterdam meeting and indications of US willingness to mount modest civic action program have proved to be well timed expressions of free world interest which may encourage Suharto's government to move forward.

**Green**

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<sup>3</sup> Not found.

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**234. Letter From the Ambassador to Indonesia (Green) to the Deputy Assistant Secretary of State for East Asian and Pacific Affairs (Berger)<sup>1</sup>**

Djakarta, April 25, 1967.

Dear Sam:

Many thanks for your letter of March 31<sup>2</sup> which set down in helpful and stimulating style a series of formulations on the emerging Indonesian political scene. We seem to be on the same wave length but with enough tonal variations to stimulate further exchanges.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL 15–1 INDON. Secret; Official–Informal.

<sup>2</sup> Berger's letter has not been found, but the substantive points he made are repeated by Green.

In the interests of easy reference I have repeated each one of your lettered paragraphs together with my comments on that paragraph.

a. Suharto has shown an uncommon political wisdom and shrewdness, as well as remarkable sense of timing in handling Sukarno and other main problems of the last twenty months (confrontation, UN, the trials, etc.). He is the dominant personality on the Indonesian scene and we see no one of comparable stature who could lead Indonesia in the difficult months and years ahead.

*Comment:* Suharto had to be pushed by Malik on handling confrontation, returning to the UN, and other matters, although the handling of Sukarno was completely in accordance with Suharto's guiding genius. I agree that Suharto has an inborn political sense which has made him *the* man for the job these past 18 months, and I see no one who is now capable of replacing him or who in fact aspires to do so.

b. His next effort must be to put together a more effective and honest government to deal with the economic mess and to lay the foundation for Indonesia's political future.

*Comment:* I agree. However, we should not expect wholesale cabinet changes which would open up new problems of political party representation in the cabinet. It would be in Suharto's style to avoid this until after elections, meanwhile making changes from time to time in cabinet and sub-cabinet positions to remove the more obvious corruptionists or incompetents. But I see no cleansing of the Augean stables on the heroic Herculean scale.

c. An early return to "normal politics", i.e., to more or less the old political parties, to an election based on them, and to a government created from them, would solve no problems in Indonesia. It would not give Indonesia effective government, would only lead to disgust with the democratic process, produce more chaos, and probably end in a complete takeover by the military.

*Comment:* Concur. I am sure that elections will not be held until Indonesia's rehabilitation is well under way and Suharto is certain that the outcome of the elections will not overthrow the "new order" or seriously challenge its progress. On the other hand I do not see Suharto removing the old parties. He may in fact seek a political solution that involves efforts to gain support of old parties or major elements thereof for his "New Order".

d. For Malik to assume that he can build a new political party on a civilian base with any chance of success, is sheer romancing. He is not that strong politically, nor is he likely to become so in view of his enemies and opposition in religious, military, national and political circles.

*Comment:* This may underrate Malik's potential and also contradicts to some extent the thrust of your paragraph h. Malik has



been counted out before, only to bounce back to a position of prominence. He may be weak as an organizer but I can conceive of a number of circumstances under which he might rather quickly emerge as a prominent political force within a coalition of progressive elements.

e. For the military to withdraw from a major and active role in political life would be as disastrous for Indonesia as for the military to take over all power. However, it is not likely that the military will either want to give up power, or dare to give up power, even if they so desire. On the contrary, the greater danger is that the military will push for more and more power. The problems for Suharto are to keep a strong rein on power, enlist civilian cooperation, resist the pressures toward exclusive military power, and weld a military-civilian team to govern Indonesia.

*Comment:* I fully agree.

f. In short, the key to the future, to political stability, to effective government, to a successful transition to elected government, is in Suharto's hands. If he can make a success of the next year or two his government becomes the embryo of the successor government, and he becomes the natural person to lead the subsequent government. Whether Suharto realizes it or not, it would seem that this would eventually require the creation of a new political party which only he can lead. (This was the experience of General Papagos in Greece in 1952, and General Pak in Korea in 1963.)

*Comment:* This is a possibility but there are others. Ed Masters, for example, has suggested that Suharto may feel he can find a civilian base for his government in a cleansed PNI. I rather suspect that Suharto has not yet made up his mind on how to organize political forces in order to insure perpetuation of his New Order. Most signs at present would tend in the direction of his trying to achieve this crucial goal through a combination of (a) guaranteed seats in the Parliament for his military and Action Fronts on whose support he can absolutely count, and (b) trying to gain the support of as many of the political parties or factions thereof as possible. The political party element is nevertheless likely to maintain a relative independence, being prepared to vote either for or against government bills in accordance with party interests.

As to your parenthetical comment about the Greek and Korean examples, I am not sure how relevant Suharto would consider them to be. Would he be willing to take the risk which Pak took in 1963 when Pak would have lost to a more united opposition? I doubt it.

g. A new political party must have military support and a civilian base. It must be able to draw in the new, young, eager, progressive civilian and military forces who want change. It must also draw on

the younger and more progressive elements of the old nationalist and religious parties.

*Comment:* It would be ideal if the new party would attract the support of those groups you mentioned, but this is Indonesia where actual performance would likely fall far short of that ideal. Comments on paragraph f. above also relevant.

h. Malik is the natural leader of the young civilian progressive elements, but he cannot get very far without Suharto and military support. He must therefore aim at an alliance under Suharto. If Suharto begins to think of Malik as a competitor, or if Malik is unwilling to play a supporting role to Suharto, we see little possibility of a collective leadership emerging that combines the essential and most hopeful political elements, or one that offers promise of avoiding the dangers.

*Comment:* I agree. To all appearances Malik realizes he needs Suharto more than Suharto needs him. Yet Malik aspires to eventual greater power than he now has, and if he is frustrated in achieving such power there may be some question of whether he would be content to remain in harness with Suharto. At present relationships between Suharto and Malik are good and one would hope that the inevitable reactivation of politics will not destroy their remaining in harness together. One step that might be helpful in preserving such a relationship would be to name Malik as First Minister under Suharto, which would in effect make Malik Suharto's Deputy for all affairs, including economic. (You will recall that Hassan mentioned this idea to me and that I said I thought the idea very sound.)

i. One question is whether Suharto sees the shape of the future and his role in it. We suspect that he already does. But if he does not, it seems from here that he must eventually come to see his role, and the course he must follow, because we see no alternatives that offer a better hope for Indonesia. The second question is whether Malik understands it and is prepared to play a subordinate role.

*Comment:* These are both key questions on which I can only grope for answers. In the economic field Suharto has acted as a pragmatist, being single-minded and determined in the field of stabilization, making no typical Javanese concessions or engaging in *musjawara*. In the political field, however, he seems quite typically Javanese in his approach, judging his position after allowing the various political groups to show their hands and then looking for the most comfortable point between extremes, provided that that point is not inconsistent with his own longer range goals. So far, Suharto's political strategy has also involved: first, gaining the full united support of the Army; secondly, winning the support of the other three Armed Services, or at least neutralizing armed force elements like the KKO which were more loyal to Sukarno than to Suharto.

As Suharto moves towards the promised elections, his tactics for insuring continuation of his new order will be clarified. Right now, he lays primary stress on improving the economic climate, but beyond that, he may not yet have formulated any definite ideas. Since he cannot afford to let the Sukarnoists back in, and since he has shown himself to be highly adept in political strategy this past year, I am reasonably certain he will come up with a plan of action best suited to gaining his goals of retaining power while also maintaining as much unity as possible amongst the highly diverse and squabbling political groups and elements that for so long have plagued Indonesia. It seems to me that Suharto's style will continue to be marked by efforts to minimize abrasions and divisiveness, but I do not think he will carry compromise so far as to endanger continuation of basic New Order policies and programs. The penalty would be too great.

Just one or two additional points:

1. Suharto seems increasingly relaxed and to be enjoying his new role as Acting President. I regard this as an additional reason why he may want to stay on in power. He has some weaknesses (e.g. keeping on too many second-rate military cronies; lack of adequate direction on the Chinese resident issue) but he has strengths that are peculiarly relevant to leadership of a united Indonesia in the post-Sukarno era.

2. You mention the complicated relationship between Suharto and Nasution. I believe that Nasution will be content to play second fiddle to Suharto, and he seems to have little potential for effective organization including those from the most extreme nationalist and religious groups. If this analysis is wrong and Nasution should make a bid for power, I fully share your views about where we should stand.

3. With further reference to paragraph h., I do not rule out the possibility that Malik might lead a party which supported Suharto's New Order and in that capacity Malik might continue on in Suharto's post-election government as a principal deputy.

The above amplifies Djakarta 5027<sup>3</sup> on Suharto's performance as Acting President, a telegram that was in part inspired by your much appreciated letter.

Sincerely yours,

**Marshall**

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<sup>3</sup> Dated April 22. (National Archives and Records Administration, RG 59, Central Files 1967–69, POL 15–1 INDON)

**235. Telegram From the Department of State to the Embassy in Indonesia<sup>1</sup>**

Washington, June 27, 1967, 11:27 a.m.

216750. Subject: Suharto Call. Ref: Djakarta 6291, 6289.<sup>2</sup>

1. Strongly endorse your view that main objective of your forthcoming conversation with Acting President should be to form basis for frequency and continuing exchanges of views. If Suharto at any point has doubts or questions about U.S. policy it is desirable that he resolve them directly with you rather than using complicated and unreliable mechanism of intermediaries whose personal interests may not always coincide with clear transmission either your or his thoughts. Following paragraphs suggest lines you may wish to use.

2. *U.S. Assistance*: Presume Suharto will use discussion internal political situation as lead-in for plea for U.S. aid. One possible line of reply would make following points:

a. Indonesia received resounding vote of confidence at Scheveningen meeting where intergovernmental group agreed to provide \$200 million gap in Indonesia's balance of payments as projected by IMF.<sup>3</sup> Donor countries attentions will now be focused on 1968 debt relief and assistance needs, and IBRD will shortly have a team in country surveying priority development requirements. (Suharto might be reassured to know that Widjojo is now in Washington seeing Walt and

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL INDON-US. Secret; Priority. Drafted by Underhill, cleared with AID Assistant Administrator for East Asia, John C. Bullitt, in substance with Nuechterlein and the Associate Administrator of the Foreign Agricultural Service, C.R. Eskildsen, and in draft with Berger; and approved by Barnett.

<sup>2</sup> Telegrams 6291 and 6289, June 24 and 23, asked for the Department's views on issues to be raised with Suharto and suggested that this meeting might be the start of a useful dialogue on issues of mutual concern. (Ibid.) In *Indonesia: Crisis and Transformation 1965-1968*, p. 103, Green recalled that during the first half of 1967 he was denied access to Suharto in part because the U.S. Government was unwilling to provide uniforms and shoes to the Indonesian armed forces as part of the civic action program. Green stated that he was privately informed that he was only welcome to meet with Suharto as the "bearer of good news" and suggested that this might have been the view of Suharto's aide rather than Suharto himself. Green is apparently referring to a conversation with General Alamsjah as reported in telegram 5771 from Djakarta, May 26. (National Archives and Records Administration, RG 59, Central Files 1967-69, AID (US) INDON)

<sup>3</sup> The Scheveningen meeting of mid-June 1967 was the second gathering of the Intergovernmental Group on Indonesia (14 Western donor countries and 5 international organizations—IMF, IBRD, UN Development Program, and Asian Development Bank) that met in mid-June. The first meeting was held in mid-February 1967 in Amsterdam.

Eugene Rostow, Bundy, Poats, Linder, and other senior officials, as well as members Senate and House.)<sup>4</sup>

b. Indonesia's primary asset in dealing with international community is support of International Monetary Fund. This support stems in turn from confidence this international organization has in economic team that developed and is now executing New Order economic policy. Performance Indonesian team at Scheveningen meeting continued very high standard established by this group at previous meetings, and continuing support of Suharto and Presidium to this highly competent group of economic advisers is best way, in our judgment, maintain and expand flow of foreign assistance to Indonesia. Donor countries will also be looking for progress during coming months along lines noted Scheveningen Chairman's report (septel).<sup>5</sup>

c. There has been circulating in Djakarta criticism that U.S. support of Indonesian stabilization effort has been slow and niggardly. This criticism difficult to understand in light of following facts. Since April 1966 U.S. has postponed payment of \$51 million of debt falling due in 18 month period 1 July 1966 through 31 December 1967, and provided \$77 million in new aid. Included in this figure is direct assistance to the Indonesian Armed Forces for its civic mission. The U.S. is further committed to provide an additional \$32 million as part of its share in meeting its commitment at Amsterdam and Scheveningen. Total through December 1967 of assistance to New Order will be therefore roughly \$160 million.

3. *Rice*: We have for number of weeks been working on Indonesia's anticipated rice requirements in the fall of 1967. At this stage the most we can do is to assure Suharto that we are keenly aware of Indonesia's requirements, that Indonesia has a high priority, and that as early as possible in the new crop year (beginning in July) we will let him know whether we can help.

4. *Private Investment*: If in discussion this topic opportunity presents itself you might note confusion which we observe in American business community created by contracts concluded by various officials of Indonesian Government whose relationship to over-all economic development plans are not entirely clear. (Barre's CEDO would be prime example.) To sustain U.S. interest in investment Indonesia, now at high level, GOI must (a) arrange to deal with businessmen in orderly, responsible way, and (b) continue to maintain the generally promising

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<sup>4</sup> A record of the meeting between Professor Widjojo Nitisastro, Economic Adviser to Suharto, and Barnett and Berger and other Indonesian experts from State and AID on June 27 is in a June 27 memorandum of conversation. (National Archives and Records Administration, RG 59, Central Files 1967-69, E INDON)

<sup>5</sup> Not further identified.

investment climate created by effective performance on stabilization goals, MPRS new investment law, and US-GOI investment guarantee program.

5. You may inform Suharto of our affirmative response to Hartono's request for fatigue uniforms and jungle shoes (State 211544).<sup>6</sup> FYI. Widjojo quizzed Underhill on our judgment of Hartono's performance in dealing with DLG. Latter said that Embassy/DLG's relations with Hartono excellent, and that we had high regard for his professional competence. Widjojo then explained that unspecified persons were circulating story that Hartono was ineffective in dealing with Americans and that others could extract more MAP from US. Persistence his questioning suggested that he also may be target of similar campaign. Boosts for Widjojo, Sadli and Company as well as Hartono therefore seem appropriate. End FYI.

6. Suggested points on Viet-Nam and Middle East follow septel. Middle East situation changing rapidly, and we will send current message in time for your meeting. Please advise time of appointment.

**Katzenbach**

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<sup>6</sup> Dated June 15. (National Archives and Records Administration, RG 59, Central Files 1967-69, DEF 19-8 US-INDON)

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## 236. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>

Djakarta, July 7, 1967, 0930Z.

114. Subject: Meeting with Suharto.

1. Well over half of my three hour meeting alone (except for interpreter) with Suharto last night was involved in trying to dispel Suharto's concern over US aid prospects for this and next year. Balance of conversation was taken up with other aid matters, MAP, foreign investment and foreign policy issues. Our discussions on Vietnam and

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 15-1 INDON. Secret. Repeated to CINCPAC for POLAD, Kuala Lumpur, Medan, and Surabaya.

other sensitive points already reported septel.<sup>2</sup> Suharto supports our policies in Vietnam and, I would judge, other areas as well. At no point was Suharto anything but moderate, agreeable (though somewhat reserved) and matter-of-fact. Main objective of my conversation was to form basis for frequent continuing exchanges of views with man who is almost certainly going to lead GOI for sometime to come. Uncertain whether I succeeded in that objective. To some extent this will depend on practical results of our talk: i.e. our responsiveness to his requests.

*Suharto's Plea for US Support*

2. Suharto began by saying that he wanted to make it clear that he did not question our goodwill towards Indonesia. He also recognized our world-wide commitments and the problems every US administration faces in getting aid through Congress. He seriously questioned, however, whether we attached sufficiently high priority to Indonesia, bearing in mind its enormous problems including challenge from Sukarnoist forces. Country faces a real emergency where unusual steps are needed and where assistance of US, above all, vitally needed. However there have been number of disturbing indications that US does not see problems of Indonesia in same light. Certain recent US actions did not reflect views expressed by high-ranking visitors from Washington who had called on him this past year. Suharto had now just learned from Widjojo, on his return from Washington, that no further dollar loans likely this year, that US seeking to force unneeded and unwanted PL480 sales on Indonesia in CY'67, and there was likelihood that US assistance to Indonesia in FY'68 will be limited to only \$20 million in import loans with balance being in PL480.

3. Suharto continued that Ampera cabinet program was drawn up on expectation of continuing US assistance. "I have regarded US as potentially our greatest friend, but if I cannot be sure of your assistance then I will have to make another plan." Suharto did not imply that he would sell out to the Russians or anything like that, but he stated bluntly that he would have to make some major adjustments in government budget plans and programs which, coming to attention of Sukarnoists and other hostile forces in Indonesia, would expose government to grave danger. Damage could be irreparable.

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<sup>2</sup> Reference is to telegram 100 from Djakarta, July 6, in which Green reported that Suharto briefed Green on the meeting that his personal representatives had with North Vietnamese Ambassador to Indonesia Pham Binh who was currently in Hanoi. Suharto hoped that Pham Binh would return with "something of interest to convey" and he would pass it on to Green. Also discussed was the Middle East and Indonesia's relations with the Soviet Union. (Ibid., POL 27 VIET S)

*U.S. Position*

4. I said I was glad he was not questioning our motives or good faith. I knew there had been many completely false rumors floating about regarding our position. I had long wanted to see Suharto, if only to make clear to him that we fully support his government and that our efforts directed at maintaining unity of new order under his able leadership. He was the one man who could [garble—pull?] country together in these troublesome times, and we admired his moderation, pragmatism, dedication to needs of the people, and desire to maintain balance between military and civilian elements in government. I also spoke of our high regard for his leading economic and foreign affairs advisors. I said there were bound to be differences amongst friends but that these were minor compared to our broad areas of common interest and cooperation.

*CY'67 Aid Mix*

5. As to specific points which Suharto had raised re composition of our CY'67 program, I reminded him of our Amsterdam statement forecasting that US assistance would involve both PL480 and import loans. I was sure we would not force unneeded PL480 on his government, but it nevertheless had been our conclusion that raw cotton would be needed by the end of this year. If GOI disagreed, this matter should certainly be discussed further between our experts. As far as rice was concerned, I was authorized to tell him that we keenly aware of Indonesia's requirements, that Indonesia had high priority and that as early as possible in new crop year, beginning this month, we would let him know whether we could help.

6. Suharto again urged—as he had two weeks ago through General Sudjono—that we provide as much PL480 rice this calendar year as possible. This was critically needed. (He did not mention possibility of receiving 76,000 tons of pearl rice which had been communicated to Widjojo during latter's Washington talks.)

7. Suharto said he wanted to make it clear that GOI welcomes PL480 sales, not only rice, but also cotton and he even interested eventually in possibility of wheat. In latter regard, he hoping to change national diet habits, starting with Djakarta, so that bread is substituted for rice on breakfast menu. He also keenly interested in reports of rice substitutes which can be prepared in such way as to have appearance of rice. However it was considered view of his government that for balance of CY'67, Indonesia requires only PL480 rice and dollar import loans. It will need 150,000 bales of raw cotton but not to arrive before April '68. He was opposed to finished textiles since this would depress local spinning and weaving industries. I said that our aid representative returning from Washington July 6 and that we would pursue these



questions further with his economic team. (Sadli subsequently phoned to say that he and Widjojo, at Suharto's request, wish to see me July 8.) Suharto again underlined crucial importance he attached to our aid mix being along lines determined by Indonesia's needs rather than by our desires to dispose of agricultural commodities but he recognized the need for and usefulness of PL480 commodities in the aid mix.

*CY'68 Program, Including Civic Mission*

8. In responding to Suharto's questions regarding prospective US aid in CY'68, I took occasion to run down briefly our programs in CY'66 and CY'67, including debt relief, budget support, other bilateral assistance and prospects for regional assistance. As for CY'68, I said we would presumably be following same formula with regard to coordinating with IGG countries on debt relief and providing our share of total aid requirements as determined by IMF. Additionally I thought we could look for an expansion in our support for Suharto's civic mission program, for food for work and technical assistance programs. I took this occasion to give Suharto two papers outlining our civic mission support for FY'67 and FY'68, broken down by services (omitting dollar amounts).<sup>3</sup> I told him that, directly responsive to request he made last autumn, I now authorized to state we will furnish "2,000 sets of uniforms and 32,000 jungle boots" for equipping all of military involved in civic mission program. I spoke of our high regard for General Hartono and outstanding manner in which civic mission program is now getting off the ground. I shared Suharto's keenness for expanding civic mission program and I, for one, would do all possible to help increase our assistance for civic mission, assuming program continues to be pursued with same effectiveness as had been shown so far.

9. Suharto expressed appreciation for all we had done with regard to civic mission program, including shoes and uniforms. There were two particular points, however, he wished to stress regarding our overall aid program for CY'68: First, his hope that we could provide sufficient import loans and PL480 rice; and second, that we would be able to expand our food for work program, but this would depend upon finding rupiahs for financing local costs of program. He urged that we assist through providing additional commodities for sale in Indonesia to help cover costs of transportation and other expenditures related to program.

*Foreign Investment*

10. On foreign investment, I provided Suharto with a paper the Embassy had prepared on progress of US investment in Indonesia,<sup>4</sup>

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<sup>3</sup> Neither paper is identified further.

<sup>4</sup> Not further identified.

showing agreements concluded in first half of 1967, letters of intent exchanged, and other investment proposals, together with some general comments. I congratulated him on wise course he had taken to attract foreign investment which, I felt offered main hope for economic development. I nevertheless referred to problems some American investors had encountered in their dealings with Indonesian authorities and pointed out importance of straight-forward direct dealings between investors and properly appointed authorities in Indonesian Government (Suharto got the point without my having to belabor it). I also spoke of two major meetings, in August and November, organized by Stanford Research Institute and Time-Life, which already attracting large number of top flight executives from North American-Asian-European companies having real interest in Indonesian investment. Suharto said he attached great importance to these meetings, that he wanted to talk directly with those attending August meeting. We touched on need for rehabilitation of fishing and tin industries.

#### *Other Points*

11. Miscellaneous points covered in our talks: (a) Suharto stressed need for comprehensive aerial as well as mineral survey of Indonesia, confirming his earlier request for US assistance in aerial survey but stating that mineral surveys best done by prospective investors; (b) I raised subject of family planning, pointing out how we could be of assistance (Suharto agreed but showed little sense of urgency on this critical problem); (c) I spoke to points in Deptel 216750<sup>5</sup> re Scheveningen, importance of GOI preserving its close links with IMF, and IBRD survey of resources which GOI had requested. I left with Suharto an Indonesian translation of Bullitt statement at Scheveningen<sup>6</sup> which I consider excellent.

12. Balance of discussion related to foreign affairs which covered septel.<sup>7</sup> We will also send septel comments on Suharto's specific requests re '67 aid-mix, '68 assistance, and Title II.<sup>8</sup>

#### *General Comments*

13. I was struck by how Suharto's views have matured since first we met privately on May 27 [26], 1966.<sup>9</sup> His program for Indonesia at that time seemed exclusively related to grandiose military civic action

<sup>5</sup> Document 235.

<sup>6</sup> Not further identified.

<sup>7</sup> See footnote 2 above.

<sup>8</sup> Telegram 164 from Djakarta, July 10. Additional comments are in telegram 284 from Djakarta, July 17. (Both National Archives and Records Administration, RG 59, Central Files 1967-69, AID (US) INDON)

<sup>9</sup> See Document 209.

schemes for development of outer islands and to wholesale transmigration of people from overcrowded Java to these projects. In our discussions last fall, he had come to accept the need for foreign investment as principal means for developing outer islands, and, by that time, he had come to subscribe fully to stabilization program as backbone of national economic policy. His remarks at that time nevertheless reflected army-centrism and were replete with expressions of concern re Communists but never re Sukarnoists. In our long discussion last night, Suharto spoke as a national leader rather than as an army leader. He did not present oversimplified view of PKI as immediate threat, but, more realistically, directed his concerns towards lingering Sukarnoism, disunity and defeatism. He did not reflect, as he has in past, exaggerated expectations of US assistance. His stated views generally parallel our own.

14. I am convinced that Suharto entertains no suspicions about our alleged support for Nasution, an Islamic state, and other such nonsense. These fears and suspicions, undoubtedly exaggerated by self-seeking officers on Suharto's personal staff, seem to have been dispelled by my recent talks with Generals Sudjono, Sumitro and Hartono. I can see the possible beginnings of a personal rapport with Suharto though I do not wish to exaggerate where this could lead, bearing in mind that it may take some time for Suharto to break out of his Javanese mold which includes doing things through intermediaries and by indirection. A responsive reaction to his reasonable requests would, however, do much to assist in our problem of communication with Suharto.

**Green**

**237. Memorandum From Vice President Humphrey to President Johnson<sup>1</sup>**

Washington, July 14, 1967, 5 p.m.

**SUBJECT**

Indonesia

As I noted in the report on my trip to Korea,<sup>2</sup> one of the subjects I discussed with Prime Minister Sato of Japan was aid to Indonesia. On my return, I noted Ambassador Marshall Green's report (attached) on his three-hour discussion with acting President Suharto.<sup>3</sup> Because this was Ambassador Green's first substantive discussion with Suharto in five months, his report merits more than the usual attention.

Most of Suharto's discussion is focused on Indonesian internal problems and on his hopes for considerable foreign assistance from the United States. Suharto explicitly stated his belief in the goodwill of the United States towards Indonesia, but expressed doubt as to whether we attached sufficiently high priority to Indonesia. He sees a discrepancy between the views expressed by high ranking American visitors and our response to his specific requests for foreign aid. He expressed disappointment over the amount of program assistance planned for 1968, and pointed out that most of the projected assistance is in the form of PL 480 food supplies. Although he regards the United States as "potentially our greatest friend", he went on to state that "if I cannot be sure of your assistance, then I will have to make another plan".

While I would not pretend to know what level of assistance we should be providing to Indonesia, I am convinced that Indonesia should enjoy a very high priority in our overall foreign assistance considerations. These commitments should be made within a multilateral framework that encourages substantial commitments from Japan and European nations. But when one considers the size and potential wealth of the country and the concentrated attempt of Suharto to restore stability and order in the face of continued Sukarnoist opposition, it would be

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67-8/68. Secret; Exdis. Initialed by Humphrey. Johnson wrote the following note on the memorandum: "M.[Marvin Watson?] Send to Walt [Rostow] & to Gaud for memo of comments back to me. L."

<sup>2</sup> The July 6 report contained Humphrey's impressions based on his discussions with those East Asian leaders attending the inauguration of Park Chung Hee as President of the Republic of Korea, June 29-July 3, 1967. The report, July 6, is *ibid.*, Name File, Vice President, Vol. II.

<sup>3</sup> See Document 236.

shortsighted if we were to give an inadequate response to the requests of the present government.

Ambassador Green also indicated that Suharto expressed considerable interest in the Vietnam problem,<sup>4</sup> expressed his continued support for our policy there, and hinted that we should not exclude the possibility of causing "floods" by bombing the dikes in North Vietnam. Suharto comments that the Indonesians will continue to be helpful in communicating any information they receive on North Vietnam, but he pointed out that although they have contacts with North Vietnam, the North Vietnamese "don't exactly trust us".

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<sup>4</sup> See footnote 2, Document 236.

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**238. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, July 22, 1967, 1:30 p.m.

Earlier in the week I was visited by two Indonesian army officers, both of whom are in Suharto's inner circle of advisers. They stated very frankly that their purpose was to establish a personal channel of communications between General Suharto and you. They said that although American officials were invariably sympathetic to Indonesia's stated need for assistance, follow up was disappointing. They said Suharto hopes that you will breathe a greater sense of urgency and generosity into the American response to Indonesia's aid requests.

It is not clear to what extent they were actually speaking for Suharto. There are reasons to suspect they were simply trying to enhance their own influence by proving they can bring home the bacon.

In any event, I think it is time that we take another look at the rather restrained approach we have taken thus far to Indonesia aid requests. I also think it is time to consider whether some initiative on our part could not be used to start the foundation of a personal relationship between you and General Suharto. With that end in mind,

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67-8/68, [2 of 2]. Confidential. There is an indication on the memorandum that the President saw it.

I have asked Marshall Wright<sup>2</sup> to go into the whole problem of Indonesian aid deeply and urgently.

I am attaching a memorandum of my meeting with Suharto's representatives.<sup>3</sup>

Walt

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<sup>2</sup> Rostow added the following footnote at this point: "Bill Jorden's new No. 2."

<sup>3</sup> A July 19 memorandum for the record of Rostow's meeting with Generals Humardani Sudsjono and Colonel Ali Murtopo on July 18 prepared by Marshall Wright of the NSC staff is in the Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67-8/68, [2 of 2]. A record of Sujorno's and Murtopo's July 17 meeting with Vice President Humphrey, prepared on July 19, is *ibid.*, Name File, Vice President, Vol. II. An account of their meetings with Berger on July 17 is in telegram 10175 to Djakarta, July 20. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL 7 INDON) A summary assessment of their visit and all their meetings including those with key members of Congress is in telegram 10759 to Djakarta, July 21. (*ibid.*)

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### 239. Memorandum From the President's Special Assistant (Rostow) to President Johnson<sup>1</sup>

Washington, July 22, 1967, 2:30 p.m.

#### SUBJECT

Indonesia—The Vice President's memorandum of July 14,<sup>2</sup> and Bill Gaud's comments thereon<sup>3</sup>

The Vice President's memorandum argues that Indonesia should have a very high priority claim on our foreign assistance resources. Bill Gaud agrees, but points out that, for a variety of reasons, we face serious problems in meeting the commitments we have already made to Indonesia for this year. Moreover, there is every reason to think we will have even greater problems next year.

In other words, we are having trouble performing satisfactorily on what we have already agreed to do, and we are beginning to doubt if we have agreed to do enough.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67-8/68, [2 of 2]. Secret; Exdis. There is an indication on the memorandum that the President saw it.

<sup>2</sup> Document 237.

<sup>3</sup> In a memorandum from Gaud to the President, July 17. (Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67-8/68, [2 of 2])

To meet the immediate problem of our commitments during Calendar Year 1967, we must get at least 100,000 tons of rice for Indonesia. That will leave almost \$10 million of our current commitment unsatisfied. The solution that would best meet Indonesian needs is to use some of our FY 68 Indonesian money as a cash loan. That, however, is borrowing from Peter to pay Paul, for it leaves us more than ever short of the resources required to meet our commitments to Indonesia in CY 68. Basically, it looks as if we are going to have to find more resources.

Indonesian expectations of American aid vastly exceed anything we are going to be able to come up with. Whatever we do, they will be disappointed. It is essential, however, that the gap between what we give and what they expect not be so broad that their disappointment turns into despair and disillusionment.

There is a way out of this. We will keep digging until we find it.

**Walt**

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## 240. Notes of Meeting<sup>1</sup>

Washington, July 25, 1967, 2:47–3:47 p.m.

*Notes of the President's Luncheon Meeting with Secretary Rusk, Secretary McNamara, Walt Rostow and George Christian, July 25, 1967, in the Mansion*

The President read several memoranda which Secretary Rusk brought with him to the meeting.<sup>2</sup>

The President asked what this country was going to do about Indonesia. Mr. Rostow said that a meeting would be held on this problem tomorrow.<sup>3</sup> Secretary Rusk said that \$200 million was planned within the consortium. Mr. Rostow said Indonesia is going through a typical readjustment period. He said there was a need for basic transportation and communication facilities. Secretary Rusk then dis-

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<sup>1</sup> Source: Johnson Library, Tom Johnson's Notes of Meetings, 7/25/67. Top Secret; Eyes Only. The time of the meeting is from the President's Daily Diary. (Ibid.)

<sup>2</sup> Not further identified.

<sup>3</sup> No record of this meeting has been found.

cussed foreign assistance. He said the Foreign Relations Committee would be asked to specify which countries it would eliminate if there is a cut back in foreign assistance funds.

[Here follows discussion unrelated to Indonesia.]

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#### 241. Paper Prepared in the Department of State for the National Security Council<sup>1</sup>

Washington, August 4, 1967.

### INDONESIA

#### I. Background

##### *Introduction*

1. On August 4, 1966, the National Security Council considered a paper on Indonesia which made cautiously hopeful forecasts for the coming year.<sup>2</sup> These forecasts have proved realistic. Economic and political progress was perhaps slightly better than expected a year ago, and the contributions made by the United States and other major Free World countries to economic stabilization followed the predicted pattern.

2. This paper reviews the current situation, projects a program of action, and looks ahead to the prospects for the coming year.

##### *Political*

3. Sukarno has been eliminated as a political force. The "New Order" led by General Suharto is well established in power, and is neutralizing gradually "Old Order" hold-outs in the police, marine corps, and parts of Central and East Java. Suharto and his associates showed sophistication and a fine sense of timing in managing the transition. The thread of legitimacy was never broken. Sukarno was

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<sup>1</sup>Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 1 INDON. Secret. A covering memorandum from Deputy Executive Secretary of State John P. Walsh to Bromley Smith indicates that the paper was prepared for the NSC meeting on Indonesia on August 9 and had "the working level concurrence of the Treasury, CIA, DOD, and JCS and was approved by Katzenbach and the Under Secretary of State for Political Affairs, Eugene V. Rostow.

<sup>2</sup>See Document 215; for an account of the meeting, see Document 217.



denied martyrdom. Instead, the pernicious irrelevance of his leadership was gradually exposed, and the hollow shell of rhetoric and revolutionary romanticism allowed to crumble of its own weight. "Engineer" Sukarno now lives in internal exile in Bogor, a pathetic old man transformed in eighteen months from the incarnation of the Indonesian State into a historical relic.

4. This process of political transition was completed only in March of this year, and a post-Sukarno political structure has not yet emerged. Suharto keeps his own counsel, and is inclined to caution and gradualism. He is feeling his way among the conflicting pressures of New Order activists advocating rapid, wholesale change, and entrenched traditional political leaders defending the status quo. Military-civilian distrust and suspicions add another element of stress. There is some public criticism of the slow pace of change, but Suharto has shown in the past a good sense of timing and an ability to recognize and exploit a developing national consensus. The new election law is not yet passed and, with a minimum of eighteen months lead time between passage and elections, it is unlikely that the Indonesians will go to the polls before late 1969 or 1970.

5. The past year has been one of solid accomplishment in the international field. Indonesia settled its quarrel with Malaysia and rejoined the United Nations and its associated organizations and agencies. It has supported the concept of regional cooperation, and will be meeting with its neighbors in the coming weeks to create a new South-east Asian regional organization. It has continued to adhere to a non-aligned policy, and has maintained correct relations with the Soviet Union and the States of Eastern Europe. Its relations with Peking, however, are under severe strain, but both the Chinese and Indonesian Governments appear desirous of avoiding a complete break.

#### *Economic*

6. Progress in domestic economic reform has been considerably greater than was anticipated in August of last year. An ambitious and reasonably effective stabilization program was put into effect. The pace of wild inflation has been checked. Prices on major consumer items leveled off. A stultifying jungle of licenses and controls was swept away and replaced by a system that relies in large measure on free market forces to determine import priorities. Government corporations were cut off the dole and told to produce effectively or perish. Budgetary stringency was introduced, and the military share of the budget cut in half. Political risks were faced and highly subsidized prices for gasoline, electricity and rail travel were raised to meet the costs of production. The Central Bank, which under Sukarno was a fiscal mockery of that term, is now beginning to exercise control of foreign ex-

change earnings and domestic credit. A new investment law designed to attract foreign capital was passed.

7. These accomplishments are largely the results of the leadership of a group of young economists from the University of Indonesia trained at the University of California at Berkeley, MIT and Harvard. These men have not only been responsible for determining economic policy and overseeing its execution, they have also participated in the international negotiations leading to debt rescheduling and new aid. Most important of all, these economists have won the unqualified support of General Suharto who has backed them without reservation in the politically painful belt tightening of the stabilization program.

8. These gains were achieved from a degree of economic collapse unparalleled for a major nation in modern times, and much still remains to be done. A substantial volume of trade still moves in irregular channels. Government revenue is overly dependent on taxation of foreign trade, and tax collection as a percentage of gross national product is the smallest in Southeast Asia. Corruption and influence peddling continue at all levels of government. The Suharto regime, however, acknowledges the seriousness of these problems, and spurred by strong pressures inside and outside the government, is moving to deal with them.

#### *Psychological*

9. With these political and economic changes have also come important changes in attitudes and values. The baby boom of the 1950's has produced a new post-revolutionary generation, a stranger to both the heroics of the independence struggle and the spiritual indignities of colonialism. This generation has taken the lead in a general rejection of the slogans and ideology of the Sukarno period, and pragmatism, rationalism, and performance have become the new watchwords. A sober, objective judgment of national self-interest is now more often the basis for decisions, and Indonesian actions, if not always satisfactory, have at least become more predictable.

#### *International Response*

10. Moving in response to the steps taken by Indonesia to put its house in order, the United States and other friendly countries of the non-Communist world cooperated in a joint effort to help Indonesia. They agreed in Paris in December to reschedule somewhat over \$300 million in debts in arrears and falling due in the 18-month period ending December 31, 1967. They later agreed in Amsterdam to provide \$200 million of new assistance in CY 1967 to meet the foreign exchange gap estimated by the IMF staff. The United States committed itself to provide one-third of the total requirement if Indonesia continued to make reasonable progress in its stabilization performance and if the other donor countries made up the remaining two-thirds. The meeting

in The Hague in June announced the successful pledging of the full amount (attached table sets forth the specific contributions).<sup>3</sup> The Japanese contribution of approximately one-third is noteworthy.

11. The Soviet Union refused to participate in these conferences, but Indonesia reached, through bilateral negotiations, a preliminary understanding that would lead to rescheduling, under approximately the same terms, the debt due the USSR and other Communist states. However, the Soviet Union and the countries of Eastern Europe have thus far made no contribution of new aid.

12. The International Monetary Fund has played a central role in advising the Indonesian Government on its stabilization program. It maintains a representative in Djakarta, and has taken part in all of the international meetings on debts and new aid. The International Bank for Reconstruction and Development made a preliminary survey of Indonesian priority import requirements for CY 1967 and, at the Indonesian Government's request, has a mission now in Indonesia studying the question of transition from stabilization to the development phase. Both the United Nations Development Program and the newly formed Asian Development Bank have dispatched missions of experts to advise the Indonesian Government on critical development efforts.

## II. Action Program

### *U.S. Objectives*

13. We seek the development of a politically stable Indonesia, responsive to the needs of its citizens, and playing a responsible and constructive role in Southeast Asia and the world. This objective coincides with the goal of the present Government of Indonesia.

### *U.S. Strategy for the Future*

14. Our strategy contains the following major elements:

#### *A. Central Role of the International Agencies*

The international agencies must continue to play a central role in Indonesia's economic recovery. The IMF has made an invaluable contribution in the areas of stabilization planning, debt rescheduling, and mobilization of new aid. The IBRD is now moving in to advise Indonesia on reconstruction and development planning. The Asian Development Bank appears certain to become an important contributor to the development effort. These organizations provide Indonesia with sound professional advice, act as a clearing house of economic informa-

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<sup>3</sup> The table indicates the following breakdown for \$197 million pledged or furnished: United States—\$65 million; Japan—\$60 million; Netherlands—\$28 million; Germany—\$29 million; India—\$13 million; others (Australia, Canada, UK)—\$2 million.

tion, and serve both as impartial judges of achievement and as politically insulated forces for encouraging minimum standards of performance.

#### *B. Maximum International Participation*

Indonesia's needs for foreign assistance are so great that only the pooled resources of many nations can provide the necessary help. Indonesia's continuing debt problem can be dealt with only on an international basis. A multi-national approach is therefore both desirable and necessary. All the major trading nations of the world have a stake in the economic recovery of a nation with abundant natural resources and a political economy of over 100 million people. We should ensure that they bear their fair share of the burden, and avoid a division of labor in which, in effect, we feed the cow and they milk it.

#### *C. Maximum Role for Private Investment*

Private investment from all of the developed countries must play an important role in Indonesia's transition from the stabilization to the phase of rehabilitation and development. We should continue to encourage Indonesia to maintain a favorable environment for foreign investment.

#### *D. Support of "Modernizers"*

One of Indonesia's greatest assets is the cadre of young men trained in American and Western European universities. These are the people that form the cutting edge of Indonesia's drive to develop its economy and its political institutions. They are our allies and our actions should support them.

#### *E. "Low Profile"*

The United States must make a major contribution to Indonesian recovery. The principal elements of our strategy—international agency involvement and multi-national participation—require, however, that we play a supporting rather than a central role.

#### *F. Bilateral Program*

While making our major contribution in the multi-national context, we should also continue small, intensive bilateral programs.

### III. U.S. Actions

#### *15. A. Debt Rescheduling*

The United States will join other creditor countries in Paris in October to deal with the problem of Indonesia's debts falling due after January 1, 1968. We should build upon understandings already established in past reschedulings and, in determining changes, take

due account of Indonesia's capacity to service its debts. Whatever the outcome, the fact will remain that Indonesia in the near term will have no resources to devote to the reduction of a growing external debt of over \$2 $\frac{1}{2}$  billion.

#### *B. New Aid*

The donor countries will meet in Amsterdam in November to consider the IMF's estimate of Indonesia's requirements for new assistance during CY 1968, and to discuss the IBRD report on development planning. We can reasonably expect to be called on to contribute at least the \$65 million pledged for CY 1967 and possibly one-half again that amount.

#### *C. Bilateral Programs*

We plan to continue to provide non-combat equipment under MAP for the civic mission program of the Indonesian armed forces. This assistance permits the Army to strengthen its ties with the civilian sector, and at the same time provides high priority services in the field of road construction, flood control and irrigation system maintenance. The training of Indonesian officers in our Service schools in economically beneficial management and technical skills will continue. On the civilian side, we intend to support under PL-480, Title II, food for work programs which increase agricultural production. We intend also to provide technical assistance, and a program of educational exchange has been resumed and will be expanded.

### IV. Anticipated Problems

#### *Unreasonable Requests for Aid*

16. While the Indonesian Government accepts and supports the concept of a multi-national approach to Indonesia's economic problems, there has been in the past a tendency, particularly on the military side, to look for easy solutions in an outpouring of large quantities of American assistance. The new Indonesian leaders have gained, during the past year, a more realistic understanding of U.S. capabilities and aid procedures. We must anticipate, nevertheless, some further random, uncoordinated requests for substantial bilateral assistance.

#### *Population Control*

17. Two-thirds of the population of Indonesia live on one-fourteenth of its land area. Economic recovery and political stability cannot in the long run be achieved without population control and family planning on the central island of Java. The Indonesian leaders are beginning to turn in a tentative fashion to face this problem. This is a sensitive issue on which heavy-handed pressure would be self-defeating, but we should be quietly persistent in encouraging a vigorous program of family planning.

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*Volume and Nature of Our Assistance*

18. The most difficult problem confronting the United States during the coming year will be providing the volume and type of assistance to meet our fair share of Indonesia's needs. The principal elements of this problem are:

*A. Meshing Capacity With Needs*

If major cuts in the AID appropriation are made this year, the amount which we can lend to Indonesia will be reduced. Indonesia needs rice, but must compete with the preemptive requirements of Viet-Nam. Cotton, through PL-480, could be a major element in our aid, but Indonesia's broken down textile industry has not been able to compete with cheap Hong Kong imports. When idle capacity is restored, Indonesia can absorb increasing amounts of our raw cotton.

*B. Multilateralism*

As a member of a group working on a common problem, we are under special obligation not only to carry our share of the burden, but also to make our assistance available on terms no less generous than those offered by other countries. In addition, as Indonesia moves from the stabilization to the development phase its needs will increase. Japan and Western Europe may find it difficult to increase significantly their current levels of assistance to Indonesia, and we may be unable to limit our share to one-third or to achieve a rigid matching formula.

*C. Inadequate Resources*

Even assuming the best possible AID-PL-480 mix, it is almost certain that we will not be able to meet from anticipated resources one-third of Indonesia's 1968 requirements. It may therefore be necessary to go to Congress early next year for supplementary funds. We have been in close touch with key members of Congress on the Indonesian situation, and have found them favorably disposed both towards assistance to the Suharto government and to our multi-national method of approach.

19. Indonesia has been led to believe that if it faced up to its economic problems, took the politically difficult steps to stabilize its economy, and adopted sensible policies of self-help, it could expect support from the world community. Indonesia's leaders have started down this difficult road, and for them there is no turning back. The pace of change must be maintained. We have seen at home and abroad how improving conditions create expectations which become explosive if not fulfilled. The Indonesians are performing on their side of the bargain, and the United States and other countries of the Free World are confronted with the challenge of dealing not with a failure, but with a prospective success. We should not fail them.

**242. Memorandum From the Administrator, Agency for International Development (Gaud) and Secretary of Agriculture Freeman to President Johnson<sup>1</sup>**

Washington, August 8, 1967.

SUBJECT

Economic Assistance to Indonesia

Helping the Suharto Government get its economic house in order involves two separable problems:

(1) How to fulfill the U.S. share of the Inter-Governmental Group support of the Indonesia stabilization program for Calendar Year 1967, on which we are still \$27 million short of the \$65 million U.S. commitment; and

(2) How to help stimulate rapid enough developmental progress in Indonesia to sustain public and army support of the promising new trend in Indonesian political orientation and leadership without loosening the economic stabilization discipline which is essential to long run solution of Indonesia's problems.

The second of these two matters will be the subject of studies being undertaken by the World Bank and Asian Development Bank, which will not be available even in preliminary outline until about the end of this year.

This memorandum deals with the first item. A.I.D., with the concurrence of State,<sup>2</sup> proposes to meet the U.S. commitment this year in the following way:

Actions already taken:

A.I.D. loans—\$30 million

P.L. 480 cotton credit—\$8 million

Actions proposed:

P.L. 480 rice credit—\$20 million

P.L. 480 tobacco credit up to \$2 million

(P.L. 480 terms to be dollar-repayable loans—40-year maturity, 1% interest during 10-year grace period, 2½% thereafter).

The balance of \$5-\$7 million, to be covered in November by either P.L. 480 cotton credit (if demand for raw cotton has by then revived) or by an A.I.D. loan.

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<sup>1</sup> Source: Johnson Library, Meeting Notes Files, Briefing Papers for NSC Meeting, 8/9/67. Confidential.

<sup>2</sup> On July 26 officials at the Under Secretary/Assistant Administrator level from State, Agriculture, and AID met to discuss aid to Indonesia. The issues to be discussed at the meeting were previewed in a memorandum from Wright to Rostow, July 27. (Ibid., National Security File, Country File, Indonesia, Vol. VIII, Memos, 6/67-8/68, [2 of 2])

Agriculture concurs in the rice component of this package if it is decided as a matter of policy that Indonesia is of sufficiently high priority to risk diversion of rice from cash exports. Whether such diversion will actually be necessary depends on the size of this Fall's U.S. rice harvest, the trend in Vietnam rice requirements and the behavior of the world rice market. With a bumper U.S. crop, we might get by without any visible diversion at all. But if we didn't—and if the diversion were fairly obvious—we could expect criticism on the Hill. Secretary Freeman is prepared to take the risk if you concur with the State/A.I.D. proposition that Indonesia is important enough to be worth it.

Specifically, this package requires your approval to commit 100,000 tons of P.L. 480 rice to Indonesia, as a priority claim on a supply which otherwise could be fully absorbed in Vietnam, Africa, and in commercial exports. This would not mean a rice shortage in Vietnam. It would still permit providing Vietnam 550,000 tons under P.L. 480 from the current U.S. crop. In addition, we would still be able in the Spring to provide an additional 100,000 to 200,000 tons to Vietnam from the current crop (to be divided between P.L. 480 and cash sales, depending on the Vietnamese foreign exchange situation), plus small amounts to fulfill outstanding commitments to the Congo, Ghana and Liberia.

However, the above allocation totals *more* than the minimum of 670,000 tons Agriculture *now* expects to be available for P.L. 480 from this year's crop. Although our crop may turn out to be large enough to cover it, we won't know until October. But it makes very good foreign policy sense to let the Indonesians know now. The price of telling them now is that if our crop is *not* any larger than the low end of Agriculture's range, we will have to choose between lowering P.L. 480 rice shipments to Vietnam and cutting into U.S. commercial rice exports.

Even with a very large U.S. crop, this rice commitment to Indonesia would probably foreclose the possibility of meeting 100,000 tons of Vietnam rice requirements from the United States, and cause Vietnam to turn to Thailand or Taiwan for purchases with Vietnamese-owned foreign exchange for that amount. We believe this will cause minimum domestic political difficulty here if the commitment to Indonesia is made at the beginning of the U.S. crop, i.e., this month, and any further Vietnamese purchases are made from Thailand/Taiwan next spring when the U.S. exportable surplus of rice is fully committed elsewhere.

The extreme tightness of U.S. rice availabilities, despite a record crop, and the growing shortage of rice in Southeast Asia to meet the world demand indicate need for reconsideration of existing restraints on U.S. rice acreage allocations for the future. This question will be addressed by the Department of Agriculture, State, Budget Bureau and A.I.D. in the near future looking toward budget decisions affecting the 1968-69 crop year.



We may need to return to you later concerning the \$7 million of our 1967 commitment which will remain to be met beyond this 100,000 tons of rice. This will have to be put together through some combination of non-grain P.L. 480 and A.I.D. loans. But you need not make that decision now.

*Recommendation*<sup>3</sup>

That you approve a priority claim of Indonesia for 100,000 tons of the P.L. 480 rice program, on the terms proposed above, subject to the development of an agricultural self-help commitment by the Indonesians satisfactory to Secretary Freeman and Administrator Gaud.

**William S. Gaud  
Orville H. Freeman**

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<sup>3</sup> There is no indication of Presidential approval on the memorandum.

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**243. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, August 8, 1967, 6:10 p.m.

Mr. President:

The NSC meeting is on Indonesia; but, because the heart of our Indonesian aid program for the remainder of this year is 100,000 tons of rice, I am submitting to you the attached action documents on the PL 480 rice programs for Viet Nam and Indonesia (Tab A).<sup>2</sup> Because there are domestic implications, we are inviting Orville Freeman to the meeting.

The NSC meeting need not—and in my view should not—be the occasion for your deciding on the rice question; but it is a good occasion for debate and cross-examination.

I suggest the following procedure for the meeting itself.

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<sup>1</sup> Source: Johnson Library, Meeting Notes Files, Briefing Papers for NSC Meeting, 8/9/67. Confidential.

<sup>2</sup> At Tab A is an August 8 memorandum from Rostow to the President (*ibid.*) and Document 242.

I. *Introduction.* You should state that the progress made by Indonesia in the last year is heartening. Within the possibilities of our resources, you want us to do our share in an Indonesian aid program which brings the Suharto government forward to stability and success.

II. You might then ask Under Secretary Katzenbach to review briefly what has been accomplished since our last NSC meeting a year ago (see Tab B for State paper on top of which is a summary we have prepared).<sup>3</sup>

III. Under Secretary Katzenbach will ask Bill Bundy to amplify and define major action problems now before us.

IV. You may then wish to go round the table and get comments from:

- Gaud on the development picture and prospects in Indonesia;
- Freeman on the domestic rice prospects and PL 480 set aside.

V. You may then wish to put these questions:

—What are the 1968 prospects for assistance from all sources for Indonesia?

—How do we plan now to meet our share of the common effort to generate and maintain momentum in Indonesia?

Bill Bundy and Bill Gaud might be asked to speak to these questions.

VI. (FYI: The World Bank and the Asian Development Bank, as well as a number of private enterprises, will be examining Indonesian development possibilities in the months ahead.) You may wish to conclude by asking that a development program for 1968 and beyond be prepared and submitted to you by, say, October 31, including:

- major Indonesian efforts;
- contributions by other governments and international institutions;
- contributions by foreign private enterprise;
- the U.S. contribution.

Walt

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<sup>3</sup> At Tab B is Document 241 and a White House summary of it. (Johnson Library, Meeting Note File, #4, 1/67–11/67)

**244. Memorandum for the Record<sup>1</sup>**

Washington, August 9, 1967.

**SUBJECT**

Meeting of National Security Council (Subject: Indonesia)

The meeting was held in the Cabinet Room. It began at 12:15 p.m. and ended at 1:10 p.m. Those present were:

The President  
Secretary McNamara  
Secretary Freeman  
General Wheeler  
Director Helms  
Director Marks  
Mr. Bundy  
Mr. Jorden

The Vice President  
Secretary Fowler  
Under Secretary Katzenbach  
Administrator Gaud  
Mr. Rostow  
Mr. Christian  
Mr. Smith  
Mr. Johnson

Mr. Hamilton

The President opened the meeting by noting the great importance of Indonesia and by recalling the meeting on this country one year ago in the same room. He asked Under Secretary Katzenbach for a review of developments over the past year.

Katzenbach summarized the State paper which had been prepared for the meeting.<sup>2</sup> He said that our problems were those of progress. He forecast a need for perhaps \$100 million as the U.S. share of Indonesia's requirements in 1968.

Mr. Bundy noted that Indonesia had just joined with neighboring states in the Association of Southeast Asian Nations which met in Bangkok. Regarding the \$100 million, he said that at present \$20 million might come from AID, \$20 million in rice, \$20 million in cotton. This left a shortfall of \$40 million.<sup>3</sup>

Gaud spoke on the need for priorities in Jakarta. He said they should focus on: (1) Exports (especially oil and rubber), (2) agriculture

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<sup>1</sup> Source: Johnson Library, National Security File, NSC Meetings, Vol. 4, Tab 55, 8/9/67, Indonesia. Secret. Drafted by Jorden. Tom Johnson also prepared a record of this meeting, see footnotes below for significant additional information from his notes on the discussion of Indonesia. (Ibid., Tom Johnson Meeting Notes, 8/9/67)

<sup>2</sup> Document 241.

<sup>3</sup> Tom Johnson's notes report that Bundy stated: "I would say that Indonesia is one-third of the way up the slope. There has been much promising economic activity. They have some resources of great value. For instance, they have oil of low sulfur content which would be useful in our cities." Bundy also "did not see how we can handle one-third" of \$300 million.

(rice production, transport, price supports), (3) a broader tax base, and (4) technical training (business administration, etc.).

The President asked why only \$20 million was programmed for 1968 aid to Indonesia.<sup>4</sup> Gaud said it was the general judgment that more was not possible from Congress, and that the additional should be requested in a supplemental request after January 1.

Helms spoke admiringly of the quality of the U.S. team in Jakarta.<sup>5</sup>

Marks said USIA was carrying out a low-key operation and that it might expand a little, but not dramatically.

Freeman said that present estimates indicated that an additional 50–80,000 tons of rice might become available in this year's crop. He thought Indonesia could do a great deal more in agricultural production and said it should be a rice exporter.

The President said he would like to see Indonesia become a "show-case." It has great potential.<sup>6</sup> It is one of the few places in the world that has moved in our direction. He asked if we were doing all we could to boost oil production. Gaud and others assured him that the American companies (Caltex and Stanvac) were moving ahead and production was up.

The Vice President said Japan could buy more oil, with minor changes in its refineries. The Japanese were worried about over-dependence on Middle East supplies. He recalled his long acquaintance with Foreign Minister Malik. He said military rule continued and was likely to for some time. He said that additional resources after January 1 might have to be drained off from other sources rather than our looking to new funds.

Fowler said he disagreed with one sentence in the State report, which was the suggestion that we might have to do more than one-third in the year ahead if Japan and Western Europe didn't come through. He urged that we stand fast on the one-third share formulation.

Rostow spoke of the importance of textiles and the need to rehabilitate the Indonesian textile industry. This would provide a large market for our cotton.

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<sup>4</sup> According to Tom Johnson's notes, the President asked: "Should we lend more money? Here is a country which has rejected communism and is pulling itself up by its bootstraps. Should we ask for an additional \$100 million in this year's request?" Katzenbach answered. "No, I do not think so. I do not believe the Congress would give us a net gain. They would probably take it out of some other area such as Latin America."

<sup>5</sup> According to Tom Johnson's notes, Helms also stated that the excellence in Indonesia started at the Ambassadorial level and went right on down, and added that "It's all low key. Our presence is not prominent."

<sup>6</sup> According to Tom Johnson's notes, the President also said: "We should take some of our ambitious plans which haven't been working in other countries and put them into action in Indonesia."

General Wheeler spoke of the Indonesian military forces. He said the Army was U.S.-oriented; the Navy and Air Force were Soviet-oriented. The military is capable of maintaining internal security. He saw no need for "fancy" military equipment. The main need was for civic action support and training equipment.<sup>7</sup>

McNamara said Indonesia was getting about \$6 million in equipment and training. The country should have high priority. He questioned whether any supplemental would be possible after January 1, that the needed resources would have to come from other programs. He said he thought the Philippines and Thailand should have lower priority than Indonesia. The priorities should be determined in Washington, not the field.

The President asked for the total AID outlays last year and this.

Gaud said the figures were about as follows:

	<i>This year</i>	<i>Next year</i>
India	\$385 million	\$400 million
Pakistan	150-160 "	165 "
Turkey	125 "	100 "
Korea	75 "	60 "
Africa	98 "	90 "
Indonesia	30 "	20 "

There was a brief discussion of Turkey and its agricultural development.

The Vice President noted his talks with Murtopo and Sudjono, two of Suharto's leading advisers. Both stressed the vital importance of internal transport and need for spare parts. Italy and other suppliers should be pressed to make parts available.

There was a short discussion of the Congo situation.

The President adjourned the meeting.

W.J.J.

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<sup>7</sup> According to an August 25 memorandum from Helms to the President, the latter asked at this meeting if Indonesian troops might be available for service in South Vietnam. (Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67-8/68) The President received an oral answer, but CIA also prepared a study, Intelligence Memorandum No. 1382/67, August 25, which concluded that Indonesia would refuse to send troops to South Vietnam because notwithstanding its anti-Communism, its overall attitude toward the war in Vietnam was ambivalent. Furthermore the Indonesian army was primarily an infantry force, defensively oriented, and generally overage. (Washington National Records Center, RG 330, OSD Files: FRC 72 A 2468, Indonesia, 1967)

**245. Memorandum From Marshall Wright of the National Security Council Staff to the President's Special Assistant (Rostow)<sup>1</sup>**

Washington, September 27, 1967.

SUBJECT

Indonesian Expectations of Aid in 1968

I have mentioned before the near certainty that 1968 would be the year in which we begin to have real problems with over-sized Indonesian aid expectations. The size of the problem is now becoming clear.

*The Expectations*

Suharto told Marshall Green last week that unless the U.S. could go above the one-third formula, Indonesia's new order would be in serious trouble.

Suharto "hoped" that in 1968 we would contribute \$100 million in addition to \$50 million in PL 480 commodities.

Suharto's Aide, Colonel Sutikno, separately mentioned to Ambassador Green the GOI hope for \$150 million in 1968 aid.

The Indonesian budget for 1968 is based upon the receipt of \$325 million in foreign aid. Even if we adhere to the one-third formula, our share would be \$108 million.

Finance Minister Seda announced at the September 20 press conference that Indonesia would ask for \$350 million from donors and hopes IGG countries will increase contributions proportionately to reach that figure. For U.S. that would mean \$117 million.

Suharto is sending his Finance Minister to Washington to express Suharto's personal thanks to President Johnson for the assistance the U.S. has provided and to bespeak his hopes for future aid.<sup>2</sup>

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67-8/68. Secret. Also sent to Jorden.

<sup>2</sup> Indonesian Finance Minister Frans Seda visited Washington, October 2-3. The Department of State requested that the President receive him briefly, but suggested that an expected letter from Suharto to Johnson could be delivered to Rostow. (Memorandum from Read to Rostow, September 29; National Archives and Records Administration, RG 59, Central Files 1967-69, POL 7 INDON) There is no indication in the President's Daily Diary that he saw Seda, but Vice President Humphrey met with him at 2 p.m. on October 3. A record of their meeting is in a memorandum of conversation, October 3. (Ibid.) A copy of Suharto's September 18 letter to Johnson, which was delivered to Rostow, and Johnson's reply of October 5 is *ibid.*, E 1-1 INDON)

*The Availabilities*

As of now, we have \$20 million DL funds earmarked for Indonesia in the FY 68 AID budget. 150,000 bales of cotton and 100,000 tons of rice would make a PL 480 package of about \$39 million. It might also be possible to put together a PL 480 sale of bulgur, edible oils, etc. of \$5 million or so, and to use some of our FY 69 AID funds to meet CY 68 commitments. At best, however, it is hard to see how we could get a package much bigger than \$80 million.

MW

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**246. Record of Cabinet Meeting<sup>1</sup>**

Washington, October 18, 1967, 12:50 p.m.

[Here follows discussion unrelated to Indonesia.]

*Secretary Rusk (1:00–1:02)*

The Secretary introduced Ambassador Marshall Green by recalling the shrunken influence of Communist China in Asia. Chinese Communism is no longer seen “as the wave of the future.” “Just three years ago, we feared the axis of Chen Yi, Subandrio and Bhutto (Pakistan) . . . now all three are gone.”

The spectacle of Indonesia rejecting Chinese Communism, combined with our stand in Vietnam, has been vital to the erosion of Peking’s influence. “We have been fortunate to have in Indonesia at this critical hour one of the real experts, Ambassador Green.”

*Comment by the President*

Had been so impressed with Ambassador Green’s personal report that “I wanted to share it with you.”<sup>2</sup>

*Marshall Green, Ambassador to Indonesia (1:02–1:12)*

The Ambassador based his report on the briefing paper attached at Tab A.<sup>3</sup> The following were among the points emphasized:

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<sup>1</sup> Source: Johnson Library, Cabinet Papers, Cabinet Meeting, 10/18/67, [1 of 3]. Confidential. There is no drafting information on the memorandum.

<sup>2</sup> Green met with President Johnson on October 12 from 1:15 to 1:35 p.m. (Ibid., President’s Daily Diary) No record has been found of their discussion, but Green described it briefly, as well as his subsequent briefing of the Cabinet, in his *Indonesia: Crisis and Transformation, 1965–1968*, pp. 109–110.

<sup>3</sup> Attached but not printed.

- Indonesia is a rich and strategic nation of 200 million people.
- No nation in recent history "has undergone a greater transformation than Indonesia."
- Indonesia's "New Order" government has thwarted Communist takeover; ended confrontation; sought friendly relations with its neighbors; rejoined the UN; banned the Communist Party; banished Sukarno. ("He is a forlorn figure, down to his last wife and last kidney.")
- Less dramatic, but still significant, are Indonesia's domestic rehabilitation efforts; conversion to a free market economy; IMF-endorsed stabilization program; new family planning and food production initiatives; new Civil Action programs by the military; a 45% slash in military budget; strong efforts to encourage foreign investment.

### Indonesian Problems Remaining

Despite Indonesian progress and opportunities, problems remain. "They are typical of what you would expect from 20 years of mismanagement by Sukarno on top of the Dutch tradition."

- Weak political institutions.
- Endemic corruption, mismanagement and inefficiency.
- Dangers of creeping militarism.
- Anti-Chinese racialism.

"I have travelled widely in the country and you can see why 32% of inner island shipping is not operating. . . . The harbors are blocked. . . . There is just 22 million dollars available to educate 40 million students. . . . But Indonesia does now have moderate and pragmatic leaders."

### *Comment by the President*

Invited the Ambassador to describe the Indonesian budget. "I want the Cabinet to hear about that."

The Ambassador gave Indonesia's total budget as "500 million dollars for 110 million people."

### U.S. Policy for Future

The "New Order" government is determined to stabilize their nation. "We can and must help them."

"They have great resources. Oil, minerals, timber, fisheries. . . . But as well as they are doing, Indonesia is now really flat on its back."

The United States should continue its present "multilateral approach to assistance." We should continue or increase our partnership efforts with the IMF, IBRD, ADB, UN—emphasizing, especially, the opportunities for private investment in the Indonesian future.

"This is Indonesia's critical hour of need. . . . We cannot neglect nor fail them now. . . . The security of all Asia is affected. . . . Our sacrifices in Vietnam avail little if we do not take strong and swift steps to foster the growth and strength which the new Indonesia can achieve."



The Ambassador concluded his report by reading the following excerpt from a cable received this morning from AmEmbassy Djakarta:

“Malik believes just as well to keep heat on Hanoi. If after U.S. elections negotiations should take place prospects for satisfactory settlement would be enhanced. Malik made clear that he believes our position is correct at this time; he does not think we should stop bombing of North unless there is some indication that other side will negotiate in good faith.”

Ambassador Green characterized this report as “an interesting and encouraging evolution in Malik’s attitude.”

*Comment by Secretary Rusk*

Recalled Malik’s meetings with several Foreign Ministers in New York as equally indicative of an improved attitude toward U.S. commitment in Vietnam and Asia.

[Here follows discussion unrelated to Indonesia.]

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#### **247. Telegram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

Djakarta, November 6, 1967, 1135Z.

2614/VIPTO 93. Subject: Humphrey–Suharto Meeting.

1. Vice President Humphrey and Acting President Suharto met for two hours on the morning of November 4 for substantive talks.<sup>2</sup> Also among those present were Ambassador Green, Professor Widjojo, General Alamsjah, Roche, Van Dyk, Rielly, and Underhill. Indonesia’s

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL 7 US/HUMPHREY. Confidential; Priority; Limdis. Repeated to CINCPAC for POLAD. Humphrey traveled to East Asia, arriving in South Vietnam on October 30 to represent the United States at the inauguration of President Thieu and Vice President Ky. He then traveled to Malaysia and Indonesia where he stayed November 4–6.

<sup>2</sup> Humphrey also met with Suharto after dinner on November 6. They discussed ways for Indonesia to make known to other countries its need for assistance, the possibility of Humphrey reporting by letter on his visit to Indonesia’s parliament, and Green and Humphrey urged Suharto to make himself more accessible to Indonesians. Finally, Humphrey warned Suharto not to believe all U.S. businessmen who claimed to have a special relationship with U.S. officials. Suharto suggested that if Indonesian businessmen or officials claimed to be representing him, the Department of State should check with him first. (Telegram VIPTO 99 from CINCPAC to the Department of State; Johnson Library, National Security File, International Travel and Meetings File, VP’s Asian Trip, 10–11/67, Briefing Book, Backup Material, Vol. I)

economic situation, its plans for 1968, and Vietnam were the principal topics.

2. Suharto expressed appreciation for the help and interest shown by the U.S. in Indonesia's economic problems and said he was happy to discuss them with a statesman of such long and distinguished experience. He then outlined the range of problems left by the neglect and mismanagement of the previous regime: inflation, impassible roads, silt-filled rivers and harbors, deteriorated airfields. Progress has been made during past year in checking inflation. Road repairs, spurred by military action teams and supported by village populations, were proceeding at a rate three times that originally expected. Indonesia planned next year to operate on a balanced budget, improve revenue collection, and expand exports. A sharp decline in the price of rubber, however, is reducing export earnings.

3. Maintaining the momentum of progress achieved in 1967, Suharto continued, is essential. The people expect it. If progress is not achieved in 1968, there could be the most serious consequences. Therefore, the government is planning an increased budget of U.S. \$ 1 billion (142 billion rupiah) for 1968 of which 77 percent will be for the routine expenses of the government and 23 percent for rehabilitation. A total of U.S. \$325 million in foreign aid will be needed for next year, of which Indonesia hopes nearly half, or \$150 million will come from the United States (\$125 in budget support and \$25 in project aid). Indonesia was hoping to obtain through PL 480 200 thousand tons of rice, 150 thousand bales of yarn. The remainder would be furnished in be [garble] and development project loans. Suharto expressed the hope that the United States would be able to make a firm commitment at the forthcoming meeting in Amsterdam.

4. The Acting President then noted the effectiveness and importance of the Indonesian military civic mission (civic action) program and urged our continuing support.

5. Suharto turned to international problems and said that, while Indonesia was too occupied with internal problems to play a major role, he wanted his country to contribute to the best of its ability in the search for peace and stability in Southeast Asia. He said Indonesia would continue to work for regional cooperation and that national pride and national prosperity would be the bulwark against outside aggression. U.S. could contribute to security by maintaining outside the area the strategic force that could smash the enemy bases, if aggression should occur.

6. On Vietnam he said that he had been unsuccessful in his efforts to influence North Vietnam, but would continue trying. He suggested that South Vietnam would be able to resist best when it was a "truly national" nation, and that our strategy should be designed, in his view,

to encouraging the development of this nationalism, then, he said, we could safely reduce our pressure.

7. The Vice President then responded to this extended presentation. He said that the United States intended to participate in the multinational effort to help Indonesia and noted that we had provided one-third for calendar 1967. Suharto interjected that the other countries might not be able to increase their contribution, and that one-third from the U.S. would not be enough. The Vice President continued that the others could do more than they are now doing, especially Japan. He reminded Suharto that Congress had not yet passed the aid legislation so it was impossible to be precise about what we could do, but that a strong effort would be made, both at home and to enlist support of other nations.

8. On the subject of food, Vice President asked Suharto to discuss the details of Indonesia's requirements with Ambassador Green. He suggested that a careful survey be made of distribution facilities so that spoilage of food waiting on the piers would not occur. The Vice President said that we were facing a rice shortage, despite expanding acreage, and suggested that the GOI carefully consider wheat, wheat flour, and bulgur. We would be also willing to expand our food for work program if worthwhile projects could be developed. On cotton, we should have enough short staple to meet Indonesia's needs although the large surplus of previous years has been greatly reduced.

9. The Vice President at this point noted the importance of dealing with Ambassador Green on all matters related to assistance. Back door out-of-channel requests only confuse the situation. He said that during Ambassador Green's recent visit to Washington he had been invited by the President to meet with the cabinet to discuss Indonesia. This was most unusual and an indication of President Johnson's keen interest in Indonesia and his special confidence in Ambassador Green.

10. On the matter of private investment, the Vice President suggested that Indonesia study what its neighbors were doing to attract private capital so that it could successfully meet competition.

11. The Vice President then turned to Vietnam and described the great changes he had found since his last visit 20 months ago. Great progress had been made in the military field, but of equal importance were efforts on the civil side, including revolutionary development. He expressed confidence that the new elected government would do well. He reaffirmed our determination to stay until the aggression stops and said Indonesia might be able to help by passing this message to Hanoi. He stressed that we would accept an immediate cease fire if productive negotiations could begin promptly and if the other side did not use the talks to gain a military advantage.

12. The Vice President said we would welcome any efforts that the GOI could make towards peace. He was not asking that Indonesia

involve itself directly in Vietnam. Indonesia's efforts to stabilize and rebuild its economy was a major contribution to the strength of South-east Asia. At the same time we appreciated understanding and moral support. We heard critical voices from Southeast Asia—President Suharto was not one of them, and with our resources severely limited we were naturally more inclined to help the friends who stood with us more than those who criticized.

13. Suharto said that Indonesia would continue to work for an Asian solution to the problem of Vietnam, and concluded the talks with the observation that U.S. assistance to Indonesian recovery was an investment in Southeast Asian security that would bring far reaching beneficial results.

14. The Vice President closed with an expression of admiration for Suharto's vision, resolution, and leadership and said he was confident that Suharto and the government he led would succeed.

15. *Comment:* Suharto was relaxed, assured, and in impressive command of detailed information on whole stabilization program. He responded well to the points made by the Vice President, and the rapport was good despite the use of an interpreter.<sup>3</sup>

**Green**

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<sup>3</sup> In telegram 2651 from Djakarta, November 11, Green sent an appraisal of the Humphrey trip which he characterized as an "outstanding success." Green noted that Humphrey received a warm and exuberant welcome, especially in Bali and Central Java (old PKI strongholds), he established a personal rapport with Suharto despite Suharto's "retiring Javanese nature" and the need for an interpreter, and he "made a strong pitch for free economy approach," thus strengthening the hand of Suharto's free market economist advisers. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL 7 US/HUMPHREY) Telegram 2651 was retyped in the White House and the President saw it. (Note from Rostow to Johnson, November 7; Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67-6/68)

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## 248. Editorial Note

On November 8, 1967, President Johnson convened the 578th meeting of the National Security Council, a special meeting to which he invited his Cabinet and legislative leaders including Senators Mike Mansfield, Richard Russell, Margaret Chase Smith, William Fulbright, and Carl Hayden and Representatives John McCormack, William Bates,

and George Mahon. The meeting was to hear and discuss a report of Vice President Humphrey's recent trip to South Vietnam, Malaysia, and Indonesia. Most of the discussion concerned Vietnam, but according to Bromley Smith's summary notes, Humphrey gave the following report on Malaysia and Indonesia:

"Turning to the other two countries visited, he said the acting head of Indonesia, General Suharto, and the Malaysian Prime Minister both told him that if the United States fails in Vietnam, all hope for a free Southeast Asia would be lost.

"In Malaysia the Prime Minister said that the enemy in Southeast Asia is militant Asian Communism with headquarters in Peking.

"Throughout his trip, he encountered no act of hostility or protest in either Malaysia or Indonesia.

*"Indonesia: Its capital city, Djakarta, shows the many failures of the Sukarno regime, e.g., unfinished buildings. His welcome in the capital was warm, but even warmer in central Java where more than a million and a half people turned out to greet him on very short notice. The Indonesians really want our friendship. They are enthusiastically trying to restore their economy. As a specific example, 30,000 men are working on earth works and clearing out irrigation ditches which will soon be providing water for additional tillable acres.*

"No promises were made as to what we would do to help Indonesia. Suharto is an honest, hard-working man who benefited from his training at Fort Leavenworth. Many other Indonesian military leaders are now showing the great benefit of their military training in the United States. Our stakes are very high in Indonesia; as high as those in Japan and India."

President Johnson asked Secretary of State Rusk to comment on Humphrey's report. Referring to Indonesia, Rusk noted that "help was being given to Indonesia by many nations through multilateral, organizations such as the World Bank and the Indonesia Consortium. At the end of the meeting, Representative Mahon asked if "our stand in Vietnam affected the situation in Indonesia?" Humphrey answered:

"Our stand in Vietnam has had a collateral effect on developments in Indonesia. He had said in Djakarta that the change in Indonesia had been brought about by Indonesians and that it came about as a result not of our actions but theirs. However, it is thought that our presence in Southeast Asia gave confidence to the Indonesians to destroy the Communist Party in Indonesia." (Summary Notes of the 578th NSC meeting, November 8; Johnson Library, National Security File, NSC Meetings, Vol. 4, Tab 60)

Tom Johnson also prepared notes of this meeting, which concentrated on Vietnam and did not differ appreciably from Bromley Smith's with the following exception. Tom Johnson noted that Representative

Mahon asked Humphrey, "if the one billion dollars in foreign aid which had been poured into Indonesia was responsible for their success." Humphrey answered that "he did not believe it served the best interests of the Indonesians for us to claim that our foreign aid caused it. It was a parallel part of the total anti-Communist effort." (Ibid., Tom Johnson Meeting Notes, November 8, 1967)

#### 249. Memorandum From the President's Special Assistant (Rostow) to President Johnson<sup>1</sup>

Washington, November 17, 1967.

##### SUBJECT

Aid to Indonesia in 1968

In the attached, Messrs. Gaud, Schnittker,<sup>2</sup> and Schultze recommend that you approve a U.S. pledge of one-third (up to \$110 million) of the aid provided to Indonesia in 1968 by the nine-nation consortium.<sup>3</sup> (This is the same *percentage share* we are providing this year, although it only amounts to \$65 million in 1967.) The Vice President and Secretary Fowler have also reviewed and approved this recommendation.<sup>4</sup>

Schultze's memorandum (Tab A) will give you a good summary of the proposed conditions and negotiating strategy. It boils down to this:

—If Suharto is to stay afloat, he must have about \$325 million in aid next year. (This number will be blessed by the World Bank and the IMF.)

—We won't get \$325 million unless we propose now to continue carrying our  $\frac{1}{3}$  share—\$110 million. Even then, it will be tough.

—We can do most of our share, perhaps more than \$100 million, in PL 480 rice, cotton, cotton yarn, and wheat. Even if Indonesia can't absorb as much of these commodities as we hope, Bill Gaud promises he can make up any shortfall in 1968 and 1969 AID money.

—Thus, when the consortium meets at Amsterdam on Tuesday,<sup>5</sup> we would propose to start the 1968 ball rolling by stating our willingness to

<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67–6/68, [1 of 2]. Confidential.

<sup>2</sup> John A Schnittker, Under Secretary of Agriculture.

<sup>3</sup> Dated November 15. (Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67–6/68, [1 of 2])

<sup>4</sup> Humphrey made a strong endorsement in a November 13 memorandum to the President. (Ibid.)

<sup>5</sup> November 21.

contribute  $\frac{1}{3}$  of the overall aid requirement the Bank and Fund certify. This will put maximum pressure on the other donors—and stimulate the Indonesians to keep the pressure on.

—If the other donors failed to raise their  $\frac{2}{3}$  of the total, we would come back to you for guidance.

I recommend you approve.

**Walt**

Approve package<sup>6</sup>

Disapprove

See Me

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<sup>6</sup> The President checked this option and on November 21 sent Rostow the following note: "Walt: I want to do everything I can for Indonesia—as quickly as I can. Send me a program. LBJ." (Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67–6/68, [1 of 2])

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## **250. Memorandum of Conversation Between President Johnson and Minister of Foreign Affairs Malik<sup>1</sup>**

Melbourne, Australia, December 22, 1967.

The Foreign Minister said that President Suharto had instructed him to express his regrets that he could not come.

President Johnson responded that he was sorry that President Suharto had not seen fit to come. The opportunity to see President Suharto and Prime Minister Sato was a primary reason for going to Australia. As for the letter from President Suharto,<sup>2</sup> which Foreign Minister Malik then handed to President Johnson, we wish to be as encouraging as we can with respect to assisting Indonesia, but they must bear in mind that our future aid level, as granted by Congress, is very low and we expect the Indonesians, like India, will learn to use wheat. We are short of rice. We shall increase the rice acreage by 20 or

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Conference Files, 1966–1972: Lot 68 D 453, CF 253. Secret. Drafted by Rostow. The President was in Australia to attend the memorial service for Australian Prime Minister Harold Holt who disappeared while swimming at sea on December 17.

<sup>2</sup> Not further identified.

30% but we could send wheat right now. President Johnson believes the Indonesians will like wheat when they get used to it. Malik said President Suharto had switched rice cover food ration from 100% rice to 40% rice and 60% bulgar wheat. The increase in bulgar wheat consumption in Indonesia was outstripping U.S. availabilities.

President Johnson asked Indonesia to calculate its potential bulgar wheat requirements over the next 12 months and let us know.

President Johnson then returned to the problem with the AID appropriation which had been cut one third. He would have to cut others for the U.S. to fulfill its commitment to provide one third of the multilateral assistance package for Indonesia. That is why he had wanted very much to talk with President Suharto and Prime Minister Sato. In the meanwhile, Indonesia should be a good international salesman for its cause in Japan and elsewhere. It can count on the U.S. to provide one third of the aid but no more; the only flexibility beyond that would lie in increased wheat consumption in Indonesia; and at least 50% of our aid to be taken in form of PL 480.

The President reminded Malik again, as the conversation ended, to let us know about the possibility of absorbing more wheat.

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## **251. Airgram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

A-358

Djakarta, January 12, 1968.

### **SUBJECT**

Indonesia: Trends During 1967 and Problem Areas for 1968

Country Team Message.

Summary and Conclusions

It is not the purpose of this report to summarize in detail the many important developments in and affecting Indonesia during 1967 but rather to attempt to highlight broad trends which will determine the

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<sup>1</sup>Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 1 INDON. Confidential. Drafted by Masters and Officers in the Embassy political and economic sections and approved by Green. Repeated to Bangkok, Canberra, Hong Kong, Kuala Lumpur, London, Manila, Medan, Singapore, The Hague, Surabaya, Tokyo, and CINCPAC.



future course of this nation and of our dealings with it. A companion report will analyze the implications of these developments for U.S. policy and operations.<sup>2</sup>

In mid-March 1967, President Sukarno was removed once and for all from the Indonesian political scene, thus ending an 18-month power struggle which had preoccupied Indonesia's leadership and prevented concentration on the nation's economic and political rehabilitation. The Suharto administration should thus in fairness be evaluated only on the basis of its performance during the last three quarters of that year. Although not constituting an adequate base for precisely charting the future course of the New Order regime (which justifiably considers itself to be still in the first stages of formulation), the events of the past nine months do provide some valuable insights into the character of the new leadership and into the nature of the post-Sukarno Indonesia which it is to govern.

The year 1967 was clearly Suharto's year in Indonesia. While his performance during this period pointed up flaws in his leadership abilities (his slowness to act in some fields and his unwillingness to act at all in others), it also showed his ability to grow with the job and the fact that, despite grumbling about his government, he is still in tune with majority sentiment within Indonesia.

Moreover, there is no one on the horizon who realistically aspires or has the ability to replace Suharto. No other military man and probably no civilian at all could hold Indonesia together as well as he has done. As Indonesia recovers further from the Sukarno era and gains greater confidence, Suharto may one day become superfluous—as happened to his predecessor. But this has not occurred yet and it is not likely during 1968. In fact, there is a distinct possibility that Suharto might be elected to a full five-year term as President in the Spring MPRS session, with elections being postponed until the early 1970's.

The year 1967 also highlighted the thinness of the layer of Indonesians with managerial ability. By year's end, most of them were becoming tired and a few discouraged at the magnitude of the problems confronting them. The year 1967 also revealed that not all members of the "New Order" are modernizers; some are clearly far more interested in their own profit and power than in nation-building. As a result, corruption and the prevalence of military influence in the top levels of the government continue to cause political problems.

The performance of the Suharto government in laying a base for economic stabilization has generally been adequate, despite such glaring shortcomings as permitting a serious rice shortage to develop in

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<sup>2</sup> See Document 253.

the fall of the year (resulting partially from maladministration and partially from inadequate rainfall) and a doubling of the rate of inflation to which the economists in early 1967 hoped to hold the nation. While the IMF was nonetheless generally satisfied with the progress made in economic terms, the average Indonesian had no more rice in the pot at the end of 1967 than at the beginning, and what he did have cost him considerably more.

In the political field, progress was even less striking. The Cabinet reshuffle in October was a halfway measure which, while it brought some technocrats to power, also retained far too many of the old familiar faces. Despite much talk and a good deal of maneuvering, no real progress had been made by year's end to provide a pro-government but essentially nonmilitary base for the government.

Moreover, while Sukarno's final eclipse relieved the Suharto government of a heavy political burden, it also deprived it of the valuable psychological asset which only a good enemy can provide. Traditional animosities and fears quickly re-emerged as Indonesians discovered that many of their most keenly felt problems were rooted not in the Sukarno regime but in their own basic social and physical environment.

The New Order discovered during 1967, in short, that it must come to grips with itself as well as with a host of external problems. This difficult period of adjustment, which was still in full play at the end of the year, highlighted weaknesses both in the New Order's leadership and in its rank and file. These, among others, are the problems which will crowd in on Indonesia's thin layer of effective managers during 1968.

Against this array of shortcomings, why the general optimism for Indonesia's future? Partly because things could easily have been far worse. Suharto successfully avoided during the year a number of pitfalls, both political and economic, which could have set the nation back much further than it now is. He has stuck tenaciously to the economic program recommended by his Western-trained economic advisers. Moreover, by year's end he was showing greater confidence in his job, making an obvious effort to "civilianize" his own image and travelling about the country to enlist national support. All of these are encouraging signs that he will face up to some, although certainly not all, of Indonesia's problems in 1968.

Furthermore, Suharto must be evaluated against the incredible mess he inherited. Things had to get worse before they improved. The turnaround has not necessarily occurred (Indonesians are seriously concerned over the possibility of a real economic pinch in the first quarter of the new year); but with adequate outside assistance we believe they can get through this difficult period and show a record of unspectacular but definite progress in 1968. The timing of outside

assistance and the Indonesian capacity for sustained reform effort will, however, be crucial.

On balance, we believe Indonesia's overall performance during 1967 was adequate to justify continued optimism that the nation has set out on the long and probably tortuous road to modernization.

[Here follows the rest of the airgram.]

MG

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**252. Memorandum From Marshall Wright of the National Security Council Staff to the President's Special Assistant (Rostow)<sup>1</sup>**

Washington, February 2, 1968.

SUBJECT

Wheat to Indonesia

You have on several occasions stressed the importance of maximizing wheat to Indonesia. As of November 1 we had agreed to sell them 10,000 tons of bulgur. In the intervening three months we have raised this to 125,000 tons of bulgur and 27,000 tons of wheat and wheat flour.

We have, however, almost succeeded too well. Suharto has now asked us for 350,000 to 450,000 tons of bulgur during calendar year 1968.

We do not have the capacity to meet that request. At the present time the bulgur processing capacity in the United States is 250,000 tons a year. It is being increased, and we will be producing at a yearly rate of 400,000 tons by June. We have already earmarked almost all of the increased production for Indonesia.

To get an additional capacity of 400,000 tons would require an investment of about \$5 million and a lead-time of six to nine months. It would be an extremely perilous investment in view of the fact that the acceptability of bulgur on the Indonesian market has yet to be determined.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67-6/68. No classification marking.

Our present bulgur shipments will be enough to handle the bulgur component of the rice ration planned by Suharto (one-fifth for military, one-fourth for civilians). Suharto wants to put the additional 2–300,000 tons on commercial sale. There might—or might not—be any buyers. (We do not yet know even the reaction to bulgur when mixed with rice in the ration. The use of bulgur in the ration will not begin until March.)

We no longer have a problem in pushing wheat. Everybody is a believer (AID, State, Suharto, the Embassy—Marshall Green serves so much bulgur to his guests that they are beginning to complain). Our problem is to make sure we don't choke this promising infant to death before he develops a man-sized appetite.

We'll continue to watch this closely—with particular attention to the balance between genuine demand and production capacity.

I call this to your attention partly because of your interest in the whole matter—and partly because I do not want you to hear a distorted version in which we refused a Suharto request for 450,000 tons of bulgur.

**Marshall**

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**253. Airgram From the Embassy in Indonesia to the Department of State<sup>1</sup>**

A-423

Djakarta, February 21, 1968.

**SUBJECT**

U.S. Policy Assessment

**REF**

CA-6014.

CA-5400.<sup>2</sup>

Country Team Message.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL 1 INDON. Secret. Masters and Philip F. Gardner, political officer at the Embassy, were the “coordinating drafters” of this airgram which was approved by Green.

<sup>2</sup> Neither found.

### I. Indonesian Setting

In March 1967 Sukarno was totally removed from power, and a "New Order" under the leadership of Acting President Suharto assumed full responsibility for governing the nation. The transition from Sukarno to Suharto, which took a year and a half of patient and effective effort by the latter, did not produce the internal upheaval many had felt was inevitable. The ease with which the transition was accompanied was, in fact, a reflection of Suharto's excellent sense of timing and his understanding of at least the dominant Javanese segment of Indonesian society.

At the same time, removal of Sukarno took away a convenient scapegoat with the result that since March 1967 all of Indonesia's pent up expectations have centered on the new government. With the departure of Sukarno, the "New Order" also lost the unifying force of a common enemy, and social, cultural and religious frictions have increased markedly during the past nine months.

These problems will continue to press in on the Suharto government during the coming year, as will the desperate shortage of trained personnel, Indonesia's critical economic situation, the increasing expectations of the people, revival of serious political in-fighting, and others.

Despite the problems and shortcomings which were accentuated during 1967, we believe Indonesia has embarked on the long road toward modernization. It is following sound economic policies and moderate foreign policies, although progress in creating a domestic political base for the present government is far slower than it could or should be. The present year will be crucial to the success of these efforts, for during 1968 trends will be set in motion which will determine the course of this important nation for many years to come. (These problems are spelled out in detail in a companion report—Djakarta A-358.)<sup>3</sup>

### II. Our Dilemma

Following the removal of Sukarno, our bilateral relations with Indonesia improved markedly. During 1967, American owned businesses, previously taken over under the Sukarno regime, were returned to their original owners, and several American firms, taking advantage of the present government's liberal economic policies, concluded agreements for new investments in Indonesia. The bilateral air agreement between Indonesia and the United States in late 1967 was one of the most favorable we have concluded in recent years. The United States has become the pace setter for aid to Indonesia within the Inter-Govern-

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<sup>3</sup> For the summary, see Document 251.

mental Group (IGG), and an increasing number of US officials visited Indonesia during 1967, highlighted, of course, by the visit in November of Vice President Humphrey, who established a new benchmark in our bilateral relations.

As a result of these and other factors, the US has become closely identified with the goals and efforts of the Suharto government. Such an identification is in fact inevitable since we have a heavy stake in the success of the "New Order" not only for obvious reasons related to Indonesia's size, strategic importance, resources and potential strength but also because it is the latest test case of whether liberal economic policies combined with free world assistance offer a more solid path to modernization than communism or other totalitarian solutions.

In seeking to advance our national interests in and regarding Indonesia, the United States Government faces two fundamental problems, one deeply rooted in Indonesian cultural norms and the other in our own tendency as a government to become too deeply involved in the affairs of other nations. Our dilemma, simply put, is this: we cannot and must not let the "New Order" fail, but we also must not become so active that we conflict with Indonesia's cultural heritage or substitute our initiative for theirs. We have faced the problem ever since October 1965 of treading this narrow line, but the increasing importance of the US to Indonesia's hopes for recovery means that the margin for error and for misjudgment has become even more critical.

While our stake in the "New Order" is large, our ability to assist it is circumscribed. The experience of the United States Government in Indonesia over the past 15 years clearly shows that the injection of our assistance into the Indonesian economy does not provide a directly corresponding stimulus to growth but will often be rejected, deflected or transformed by basic features in the Indonesian social structure. Economic development through the infusion of foreign skills and assistance apparently requires parallel development in other sectors of the society. For this reason, it is perhaps best to regard our ultimate aim in Indonesia not as economic development alone but as modernization.

Needless to say, we would run grave risks if we attempted directly to initiate or even counsel reform in the social structure, where are moored the individual Indonesian's sense of security and identity. (Sukarno mobilized the nation behind his policies by pointing to a Western threat to the "Indonesian way of life" and the anti-communist campaign after the October 1, 1965 events was powered with similar fuel.) Our problem, therefore, is to choose from among the priority needs, programs which are compatible with the Indonesian social structure and yet active stimulants for change. The overall process must in the Indonesians' eyes appear as "modernization," not "Westernization" and least

of all "Americanization." If the process appears as "Americanization", we will not only waste our funds and incur blame for failures but, more importantly, will trigger long acting rejection devices within the Indonesian society to what is falsely identified as foreign intrusion rather than internal development.

### III. Criteria for American Programs

To date we believe U.S. policy has avoided the worst dangers of this dilemma and has successfully advanced U.S. interests. Our timely economic assistance has strengthened the hands of Indonesia's "modernizers" and the U.S. has also been successful to date in supporting Indonesia's efforts to obtain substantial aid from other donors. Our small but important MAP has made a major contribution to encouraging the Indonesian military to move into Civic Action projects which not only contribute to economic stabilization but also help to enhance the local image of the Armed Forces. Our informational and cultural programs have expanded modestly during the past year, with particular emphasis being placed on distribution of one-half million American books to Indonesian educational and other institutions. We have also had continued success in our efforts to quietly influence Indonesia's top leadership. Indonesians not only seek our aid but privately they also seek our advice and this has enhanced our ability to influence some, but by no means all, developments. Finally, we have succeeded substantially in convincing Indonesia to do business "through channels" and to cease sending visitors to Washington armed with open-ended "hunting licenses" seeking aid and special favors.

These past experiences and our estimate of the problems we will soon face in the mounting urgency of the stabilization efforts and in the implementation of the development plan lead us to suggest the following broad criteria for American policy in Indonesia.

#### *A. Regionalism*

We must continue to encourage Indonesia to join in Southeast Asian cooperation. In addition to the material and political benefits, closer regional ties will encourage Indonesia to see itself as a partner and participant in a world-wide process of modernization rather than a sick patient in the hands of Western doctors. Indonesia's neighbors, however, must be responsive. While suspicion on the part of some of Indonesia's neighbors is historically understandable, we should encourage these nations to realize that a "New Order" has taken over in Indonesia and that, even if they fail to accept this fact, the best and most pragmatic way to guard against the possibility of future Indonesian adventurism is to embrace Indonesia's new government and interweave it inextricably in responsible regional activities.

Our own expressions of support for regional organizations such as ASEAN should be decidedly low-key. The Soviets, from whom the Indonesians hope to receive additional aid, are already charging that ASEAN is a "Western puppet" and the Indonesians fear that too close an embrace by us would not only complicate their relations with Moscow but also add substance to these allegations and perhaps make it more difficult for ASEAN to enlist the support of additional non-aligned nations.

### *B. Multilateral Approach*

We remain convinced of the necessity of setting our programs into a multilateral framework, with the IMF, IBRD and IGG nations assuming together a position well in advance of any individual foreign government. This is both a more forceful method of persuading Indonesia to make the tough decisions that will be required and a better guarantee against Indonesia sluffing off responsibility to others' shoulders. The multilateral approach may, however, prove too slow or inflexible to meet certain problems of exceptional urgency and we must recognize the need for flexibility in applying this criterion.

### *C. Adaptations to the Indonesian Social Structure*

There are three broad attributes of the Indonesian culture which will constitute impediments to much-needed technical and project assistance and which we should take into account in developing our programs: (1) a predominantly traditional (as contrasted to rational) mode of thought which resists change, stresses human adaptation to rather than manipulation of environment and recommends avoidance rather than resolution of conflict; (2) particularistic (or personalized) rather than universalistic values, emphasizing loyalty to kin or, more particular to Indonesia, to a protector (Bapak) rather than to institutions or abstract codes of behavior; and (3) a decentralized and compartmentalized organization of the society with relatively little coordination exerted laterally and relatively little authority exerted vertically.

Perhaps the best single way of ensuring that an American program will be adjusted to the Indonesian environment is to work through the so-called "third culture," that is Indonesians who have gained a broad knowledge of our culture and yet retain accredited membership in their own. This type of person, most prominently represented by General Suharto's team of economic advisors, can serve as invaluable mediators between the two cultures. Every assistance request should consequently be evaluated on the basis of whether the Indonesians controlling or staffing the offices connected with the program include a sufficient number of "third culture" persons.

A second prerequisite for evaluating the prospects for an assistance program is to identify the "Bapak" or "Bapaks" into whose spheres



the project falls. If these are corruptionists, solely political operators or pure traditionalists, the project will probably be deflected from its economic as well as political aims. In this respect, we should continue to promote the modernizer-staffed Bappenas as the agency most directly responsible for economic development.

It is much more difficult to propose criteria to meet the problem of compartmentalization and decentralization. For the immediate future, however, we should probably concentrate our attention within particular compartments and resist the temptation to place technicians in coordinating roles between compartments where they are more likely to replace than develop Indonesian initiative in central coordination and supervision. (What we diagnose as lack of "managerial skill" is often inability to move beyond the society's structure, a deficiency which cannot be rectified with instruction in American management methods.) It may prove more fruitful to work outward from individual compartments than to attempt to build up prior or simultaneous coordination and supervision between them.

The criteria in the immediately preceding paragraphs should not be regarded as binding prerequisites but as safety precautions. They can and undoubtedly must be set aside in certain instances. When it is deemed necessary to provide technical assistance which will involve coordination and supervision of separate Indonesian compartments, we should first seek to have the IMF, the IBRD or other multilateral bodies take on this task. Where the U.S. must assume this role, the program should be designed with exceptional care and flexibility. Advisors who run a clear risk of being drawn into coordinative or supervisory roles must be carefully selected on the basis of personality and understanding of the local culture. They might in many instances also be placed on TDY status so as to appear as temporary trouble shooters rather than semi-permanent replacements for roles the Indonesians are unwilling or unable to fill.

#### *D. Restricting the American Presence*

The criteria listed above all argue for continued restrictions on the American presence in Indonesia. Although some growth in the size of the mission must occur as we move into development projects, we would rule out for the foreseeable future personnel from any U.S. Government agency serving in sensitive fields such as community development, manpower planning, much of public administration and some phases of local agricultural development. Cultural programs should be concentrated in binational centers in Djakarta and, if possible, Surabaya. (Savings in personnel in this sector would pay high dividends if invested in magazine subscriptions and more books for donation to key institutions and individuals.) Finally, those personnel who are assigned to Indonesia to work closely with Indonesians must be

carefully selected. (We have already had several minor problems of adjustment.)

#### *E. Working from the American Social Structure*

Moving Indonesians to an outside vantage point is undoubtedly the best way to show them the deficiencies in their own social structure and stimulate a desire for this change. For this reason, the participant training program is perhaps the single most valuable component of a modernization program and must be expanded.

In order to ensure that this program results in the transfer of modernizing attitudes as well as technical skills, we should consider: (1) emphasizing training programs of at least two years in length for adults; (2) concentrating on youth, whose attitudes are more flexible—we should welcome the revival of the AFS program if the GOI officially asks for it, although we cannot prompt the GOI on this issue; and (3) “team training” in which five or six Indonesians are trained in related fields at the same time and at the same institution. Upon return to Indonesia these teams should be so grouped in their occupational fields as to provide mutual reinforcement against the social forces which lead to a reversion to a traditionalist framework of thinking. (Suharto’s economic team of advisors is testimony to the success of this method.)

#### *F. Building Indonesian Confidence*

Perhaps the foremost requirement of any American assistance program is that it serve to build Indonesian confidence in the modernization process. This criterion is now most pertinent to the stabilization program. Aside from causing important segments of the population to lose faith in and withhold cooperation from the Suharto government, failure of the stabilization program would also perhaps cause Suharto to lose confidence in pragmatic policies and those who have recommended them (the IMF, Western governments and his own team of economic advisors). It may, in fact, be useless to talk of economic development if Suharto is unable to surmount the inflation hurdle within the next eighteen months.

We are now clearly faced with the probability that IGG nations at their March meeting will not pledge the full \$325 million of assistance requested of them by the Indonesian Government and the IMF. Such a result will risk losing the confidence which both the Indonesian public and leadership have placed in the IMF and the multilateral approach, and this confidence is perhaps a more important determinant to the success of the stabilization effort than the sums left unsubscribed. If the United States moves to make up this deficit, on the other hand, we risk setting an undesirable precedent for a larger American role in and responsibility for the stabilization program and perhaps the

development program which will follow. For the Embassy the last risk is clearly the lesser. In the final analysis, of course, the extent and nature of our aid must be measured against Indonesia's own performance. Our long-term interests in this important country require that we not substitute our initiative for theirs or be so responsive to Indonesia's requests that pressures for self-help measures are weakened.

#### IV. Conclusion

U.S. policy towards Indonesia must address two broad problems, the relatively short-term task of economic stabilization and the long-term task of modernization. The approaches we have outlined above apply to both problems but with different intensity.

Our role in economic stabilization is a relatively simple one because it involves minimal contact with the Indonesian social structure: multi-lateral agencies provide advice and supervision, an outstanding group of "third culture" persons serve as capable intermediaries, and a large American presence is not required. Our decisions in this sector are nevertheless difficult ones as they are couched in urgency and must weigh American resources against possible Indonesian loss of confidence in pragmatic measures.

In defining our role in Indonesia's modernization, there is perhaps less need for speed than caution. We are fortunate to be starting off with virtually a clean slate as regards technical and project assistance and information programs. Unlike Vietnam, Laos and Thailand, the urgency of the Indonesian problem is not such as to preclude us from setting up careful test procedures. With a cooperative government, a classically traditionalist society and a good measure of material resources, Indonesia constitutes a good test subject.

The Embassy consequently recommends that we treat our role in Indonesia as a controlled experiment in modernization. We should begin to apply the criteria we have set out above and develop new criteria as experience is gained. The development of our assistance programs must from the outset be geared to Indonesian performance. In this respect, we will want to keep a careful watch not only on economic measurements but also on the incidence of corruption, on the abuse of authority and on the tendency towards militarism, all of which are relatively good gauges of the progress towards modernization in the social structure.

MG

**254. Letter From the Deputy Under Secretary of State for Political Affairs (Bohlen) to the Assistant Secretary of Defense for International Security Affairs (Warnke)<sup>1</sup>**

Washington, March 19, 1968.

Dear Paul:

A letter from Ambassador Thompson to Secretary McNamara, dated October 19, 1966,<sup>2</sup> recommended \$6 million in grant assistance to the Indonesian armed forces in support of an on-going military program of civic reconstruction. This program, which also includes training oriented towards civic action in U.S. Service Schools, is now well under way and has been operating effectively for about a year. Since the rationale for the program is essentially political and economic. I feel it might be useful to define more precisely at this stage the policy framework of the program for the months ahead.

Our April 14, 1967 agreement with Indonesia<sup>3</sup> specified that our assistance was provided "for a program of civic action . . . helpful to the economic and social development of Indonesia." The objective of the program is therefore a limited one; to support and assist the Indonesian military in its civic mission activities. In contrast to MAAG missions elsewhere, we are not seeking to establish a service-to-service advisory role, nor do we wish to participate in anything but the purely civic action aspects of Indonesian military planning.

"Civic mission," as used by the Indonesian military, embraces a much broader range of activities than we would regard as "civic action." The Indonesians, for example, consider the construction of barracks and commercial or industrial activities undertaken by military personnel also as part of the "civic mission." While it is difficult to draw firm guidelines in this area, we feel that our resources, to the maximum extent possible, should be used for projects in the public works field of direct and immediate benefit to the civilian population.

Counterinsurgency is often linked with civic action in an over-all internal defense program. In Indonesia we wish to maintain a clear distinction between these related military activities and leave counterinsurgency entirely in Indonesian hands. Localized civil disturbances have been endemic in Indonesia since independence, and two such

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967-69, DEF 19-8 US-INDON. Confidential. Drafted by Underhill.

<sup>2</sup> A copy of the letter from Acting Deputy Under Secretary of State for Political Affairs Llewellyn E. Thompson is attached to a March 15 memorandum from Bundy to Bohlen. (Ibid.) See also footnote 2, Document 226.

<sup>3</sup> See 18 UST 384.

uprisings are now in progress in West Borneo and West New Guinea. Indonesia, in the past, has not sought our assistance in meeting these situations. It is possible, however, that the current financial straits of the Indonesian Government might persuade the military authorities to look to our Military Assistance Program as a source of supplementary budgetary support for counterinsurgency.

Under present circumstances, we would wish to avoid such involvement. Neither of the current uprisings, restricted to isolated areas of the archipelago and involving ethnic minority groups, is any threat to the Suharto government. The Indonesian Army is well supplied with small arms, and has had 23 years of experience in counterinsurgency operations. There is no pressing need for United States involvement, and to begin assistance, even on a small scale, would establish a continuing lien on limited MAP resources. Further, the use of American equipment against the Papuan dissidents would be politically awkward because of the role of the United States in the 1962 settlement turning over West New Guinea to Indonesia. We do not, of course, wish to rule out the possibility of counterinsurgency assistance to Indonesia under different circumstances.

Sincerely,

Charles Bohlen

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**255. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, April 24, 1968, 3:40 p.m.

SUBJECT

Possibility of wheat sales to Indonesia

President Suharto and the rest of the Indonesian leadership are now very concerned about their economic problems. Suharto has indicated to our Ambassador his hope for substantial additional assistance from us, specifically including wheat.<sup>2</sup> The proposal is not firm yet,

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67–6/68, [1 of 2]. Confidential.

<sup>2</sup> As reported in telegram 6116 from Djakarta, April 19. (National Archives and Records Administration, RG 59, Central Files 1967–69, POL 15 INDON)

but it does look as if it may be possible to arrange a sizable PL 480 wheat sale to Indonesia.

If the Indonesians are as anxious as they appear to be, we should be in a good position to extract from them some good measures to meet the problem of changing a rice-eating society to a wheat-eating society.

Are you still as anxious as before to move wheat through PL 480 sales?

Walt

Yes, follow up with vigor<sup>3</sup>

Only if the proposal makes sense in international terms

Call me

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<sup>3</sup> The President checked this option and underlined "vigor" twice. He also wrote: "promptly—Report back soonest."

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## 256. Memorandum of Conversation<sup>1</sup>

Washington, May 3, 1968, 11 a.m.

### PARTICIPANTS

Professor Widjojo Nitiasastro, Economic Adviser to Indonesian President Suharto

Dr. Salim, Economic Adviser, Indonesia

Ambassador Soejatmoko, Indonesian Ambassador to Washington

The Vice President

Mr. John Bullitt, Assistant Administrator for East Asian Affairs, Agency for International Development

Mr. John E. Rielly, Office of the Vice President

Professor Widjojo, after extending the greetings of President Suharto, stated that there had been setbacks in the Indonesian economy since the Vice President's visit in November.<sup>2</sup> Early this year there

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967-69, E-8 INDON. Confidential. Drafted by Rielly. Approved in S/S on May 7. The meeting was held in the Executive Office Building.

<sup>2</sup> See Document 247.

was an economic crisis. Confidence in the economic policies of the government has been shaken, both inside and outside the government. At the Rotterdam meeting a week ago, the results were very disappointing.

Professor Widjojo stated that he believes Indonesia cannot survive a second crisis. The basic need is food. Therefore, they have asked the U.S. Government for additional food assistance. They need rice, wheat, flour, and bulgar wheat.

Mr. Bullitt stated that the United States Government officials dealing with Indonesian affairs held off responsibility to the Indonesian request because we want to see what the Japanese do before we respond. The Vice President inquired whether we or they had put pressure on Mr. Miki. We should talk to him, as the Vice President had spoken to both Miki and Prime Minister Sato at great length about the Indonesian situation. Indonesia is very important to Japan, both as a market and as an ally in Asia. We must be very firm with the Japanese on this. Professor Widjojo replied that the Indonesians had already used their biggest gun—by having President Suharto visit Japan. The results were negative.

Professor Widjojo stated that he not only wanted to try to solve the food problem but to try to stop the ruinous inflation of the last several years. A major related problem is that of food production. They need fertilizer assistance as well as food.

The Vice President stated that with the oil industry in Indonesia you would think that the resulting petrochemical industry would produce fertilizer. Professor Widjojo stated that there are studies underway for the expansion of the petrochemical industry. Mr. Bullitt stated that one problem is that the government oil monopoly had refused to make commitments to guarantee a regular supply of oil. For this reason, foreign investors and the oil companies generally were reluctant to go ahead with expansion of the petrochemical industry.

The Vice President suggested that the time is late for continuing studying the situation. Progress must be made in getting the fertilizer. The time has arrived for a frank talk with our Indonesian friends. The Government of Indonesia must be willing to take decisions to get the petrochemical industry to develop. If the government is not willing to do this, they cannot expect help.

Professor Widjojo stated they also have natural gas as a source of energy supply. They hope to expand their food for work program this year with the help of the U.S. Governmental food assistance.

The Vice President inquired of Professor Widjojo whether he had seen Mr. Linen of Time-Life, the man who organized the Geneva meeting last November. He had sent a copy of the report on the conference to the President, to Secretary Rusk, and to Mr. Gaud. It is time, he said,

that the Indonesian Government takes some strong measures. Also, we must be able to demonstrate here that the aid is not being misused. This is of continual concern here, both in the government and outside. The Vice President stated that if he had his way, we would be doing much more, but that the Indonesians must understand that their friends and supporters here do have a difficult time in dealing with the Congress. We know that there is a degree of public and private corruption. This is a continuing public relations problem. It would be a national/international disaster if the Suharto government would fail.

Ambassador Soejatmoko stated that they have an immediate need for fertilizer as well as for food. The Vice President stated that Indonesia must be able to demonstrate what Mr. Jim Linen talked about in his report: a spirit of confidence in the Indonesian economy. The Vice President knows that the United States business cannot do everything that needs to be done; the economy cannot be turned over to them. They can be permitted to chew up the economy and exploit it. But they must be convinced that the over-all environment in Indonesia is favorable for the economic development of the country. The Vice President apologized for speaking so frankly, but since "we are allies without any kind of a treaty," we must be frank in assessing our mutual problems.

He knows that Professor Widjojo and the economic team understands these problems, but the military does not. The military must be made to understand what the situation here is in the Congress and with the public. The Vice President told Professor Widjojo that he and his colleagues are good men or they would not be here. He knows that the security of their country is essential to Asia. We and our allies cannot help Indonesia to the point that what we do in Vietnam will be of no avail.<sup>3</sup>

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<sup>3</sup> Widjojo and Salim also meet with Barnett on May 3 and had lunch with Bullitt after the meeting with the Vice President. An account of their discussions is in telegram 158285 to Djakarta, May 3. (National Archives and Records Administration, RG 59, Central Files 1967-69, AID (US) 9 INDON)



**257. Intelligence Note From the Director of Intelligence and Research (Hughes) to Secretary of State Rusk<sup>1</sup>**

No. 447

Washington, June 11, 1968.

**SUBJECT**

Suharto's New Development Cabinet<sup>2</sup> Strengthens Economic Program and Placates Parties

Indonesian President Suharto's announcement of a new cabinet on June 6 implemented the March 27 decree of the country's highest legislative body, the MPRS, which had instructed him to replace the present cabinet with one devoted to economic development.<sup>3</sup> The cabinet is composed of 18 portfolio ministers and five state ministers who will have general supervisory functions. The government's commitment to modernization is evidenced by the inclusion of two of Indonesia's leading economists; its determination to avoid a junta-type government is demonstrated by the increase in the number of civilians (from fourteen to seventeen) as compared to military officers (from nine to six). The two economists are particularly distinguished; Dr. Sumitro Djojohadikusumo, who helped lead the rebellion against Sukarno in 1958 and lived in exile until last year, is Minister of Trade, while Ali Wardhana, a key adviser to Suharto, has been made Minister of Finance.

At the same time, Indonesia's leading political parties have been given prominent representation at the level of state minister in the new cabinet; relatively pro-regime leaders of the three largest Muslim parties and of the secular Nationalist Party hold these positions. In addition, among the technocrats holding portfolios are leaders of other political parties or, in some cases, spokesmen for particular points of view; Dr. Sumitro was a founder of the banned Indonesian Socialist Party, former Murba Party official Adam Malik remains as Foreign Minister, and

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 15-1 INDON. Confidential.

<sup>2</sup> Telegram 7289 from Djakarta, June 6, contains a list of the new Indonesian cabinet. (Ibid.)

<sup>3</sup> The CIA's Directorate of Intelligence prepared an Intelligence memorandum, ER-IM 68-81, July 1968, which assessed Indonesia's prospects for economic stability. The memorandum suggested that because of Sukarno's "more than a decade of mismanagement" a quick economic recovery was not assured. Foreign aid to Indonesia basically went to stabilize inflation and there was little earmarked for long-term rehabilitation. Indonesia suffered from faster population growth than growth of food production, declining exports, and a poor transportation system. Although economic progress under Suharto would be slow, most of Indonesia's 112 million people lived in a "non-monetary, subsistence environment and do not expect radical improvements in their living standards." Economic deterioration was more likely to cause political unrest in Indonesia's cities. (Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67-6/68)

Professor Seno Adjie of the Army-initiated IPKI Party is Minister of Justice, a holdover from the previous cabinet.

A further earnest of the government's interest in economic development and its willingness to seek popular support is the curtailment of some of the powers of President Suharto's much-criticized private staff, SPRI (Staf Pribadi Republik Indonesia), composed of generals of varying ability and honesty, led by *[less than 1 line of source text not declassified]* Major General Alamsjah. SPRI has now been deprived of its coordinating function over the cabinet and there are reports that Alamsjah will soon go abroad as an ambassador. The number of military officers in the cabinet has been reduced, dropping from nine to six, while the number of university professors has risen from four to seven. Old Order or Sukarnoist military officers, however, were placed in charge of the ministries of manpower and information.

Suharto's appointments to the new cabinet should help to quiet criticism from the students, who have again been demonstrating against the country's slow economic progress, and from the political parties, who object to the "green wall" of military uniforms between the presidency and the public. However, unless this new momentum can be sustained by performance, dissatisfaction can be expected to grow strong again.

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**258. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, June 18, 1968, 6:35 p.m.

SUBJECT

Aid to Indonesia

The International Monetary Fund set \$325 million as Indonesia's need for foreign assistance in calendar year 1968. We have adhered to a formula by which the United States and Japan each meets one-third of the need, and the rest of the world picks up the remaining third. The Japanese have been very slow this year, but it now looks as if they will meet their \$110 million share. The other donors have also lagged,

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67-6/68, [1 of 2]. No classification marking.

and will probably not give Indonesia much more than \$80 million this year.

Indonesia's needs are greater than ever. Despite the government's responsible policies, the stabilization program has thus far failed to work. There was an almost 60% inflation in the first quarter of this year, mainly as a result of inadequate food supplies. If another year passes without the government's economic policies taking hold, both those policies and the government itself will be in danger. In recognition of this fact, the IMF and the Asian Development Bank have both called for emergency food assistance to Indonesia, above and beyond the \$325 million figure.

The problem, then, is how to help meet Indonesia's needs, including emergency food assistance, without breaking the one-third formula (which is popular with the Congress, and very useful in pressuring other donors to meet their obligations).

Attached is an Indonesian aid package proposed by Bill Gaud and Orville Freeman and blessed by Charley Zwick.<sup>2</sup> It meets the problem—by treating our wheat assistance to Indonesia as experimental and a response to the IMF/ABD call for emergency food needs. Therefore the wheat is not to be counted this year as part of our one-third contribution to the international consortium's goal of \$325 million.

Although this approach is slightly artful, it is also justifiable. No one knows how rapidly the market in Indonesia for wheat products can be expanded. We are offering 350,000 tons (\$46 million) of wheat flour and bulgur to be shipped as rapidly as it can be utilized. But it is impossible to say how much can be used by the Indonesians during 1968. It is, therefore, reasonable to treat it separately from our 1968 aid pledge, and outside the one-third formula.

By treating wheat separately, we are able to offer \$156 million of aid now. This is psychologically very important in shoring up the confidence of the Indonesian Government and in convincing the Indonesian business community that the resources will be available to avoid another inflationary spiral at the end of the year. Apart from the wheat, the package is made up of:

- 200,000 tons of rice, worth \$41 million;
- 160,000 bales of raw cotton and the equivalent of 70,000 bales of cotton yarn, worth \$44 million;
- a \$25 million AID Development Loan;
- this totals \$110 million, our one-third share of the IMF goal.

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<sup>2</sup> The "package" was in a memorandum from Freeman and Poats (Acting for Gaud) to the President, June 7. Support for the proposal from Zwick was in a memorandum to the President from him, June 12. (Both *ibid.*)

In addition, Gaud and Freeman want to be able to tell Suharto now that we will consider another 100,000 tons of rice and another 80,000 bales of cotton in the fall as a down payment on our 1969 aid to Indonesia. This will be extremely valuable to Suharto, both in assuring that the pipeline stays full and in allaying fears of another rice shortage during the critical January–March period.

Secretary Fowler does not object to the package. He does, however, believe that we should keep the pressure on the other donors, count wheat next year after the program has proved itself, and clearly identify any pledges made this fall as part of our 1969 aid. I agree with him on all three counts. Fowler also would like to set aside part of the proceeds from the sale of wheat for a fund to promote U.S. commercial exports. There might be problems with this, but AID and Treasury can try to work it out, if you approve the package. Fowler's memorandum is attached.<sup>3</sup>

Although we are presenting the 1968 package to you as a whole (so that you can better judge its adequacy) you actually gave your approval last January to \$60 million of the proposed package. What you are now being asked to approve is a \$98 million PL–480 program (\$35 million in wheat, \$33 million in cotton, and \$30 million in rice).

My people (Marshall Wright and Ed Hamilton) helped put this package together. I think it is a good one. Bob McNamara is just back from Indonesia and thinks it is very important that we move ahead without delay.<sup>4</sup>

I recommend that you approve the \$98 million PL–480 program, and authorize our Djakarta mission to inform Suharto that we will consider more rice and cotton in the fall.

**Walt**

Approve<sup>5</sup>

Disapprove

Call me

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<sup>3</sup> Memorandum from Fowler to the President, June 18. (Ibid.)

<sup>4</sup> Rostow wrote the following postscript: "Bob McNamara came to see me yesterday right off the plane from Tokyo to say this package is critical and urgent if Suharto is to be saved—and to report he believes Suharto is well worth saving."

<sup>5</sup> This option is checked.

**259. Memorandum From the President's Special Assistant  
(Rostow)<sup>1</sup>**

Washington, June 19, 1968.

MEMORANDUM FOR

The Secretary of State  
The Secretary of Treasury  
The Secretary of Agriculture  
The Administrator of Agency for International Development  
The Director of the Bureau of the Budget

SUBJECT

Aid to Indonesia

The President has approved the 1968 aid package for Indonesia described in the Freeman/Poats memorandum dated June 7, 1968.<sup>2</sup>

The President also authorized our mission in Djakarta to inform the Indonesian Government now that we will be prepared to consider in the fall another PL-480 agreement providing for 100,000 tons of rice and the equivalent of 80,000 bales of cotton yarn if such additional assistance appears feasible at that time.<sup>3</sup>

The President also approved Secretary Fowler's recommendations<sup>4</sup> that:

1. there should be continued pressure on other donors to come up with additional contributions to Indonesia 1968 aid requirement;<sup>5</sup>
2. we should count wheat next year as a part of the US aid contribution if this year's emergency and experimental wheat program proves successful;
3. any additional pledges of rice or cotton in the fall will be clearly identified as 1969 aid; and

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67–6/68. Confidential.

<sup>2</sup> See footnote 2, Document 258.

<sup>3</sup> In telegram 186811 to Djakarta, June 20. (National Archives and Records Administration, RG 59, Central Files 1967–69, FN 1–1 INDON)

<sup>4</sup> See footnote 3, Document 258.

<sup>5</sup> On June 20, Rostow wrote Robert McNamara, then President of the World Bank, a letter describing President Johnson's decision and reasons for maintaining the one-third formula. Rostow noted that both the United States and Japan were prepared to commit their \$110 million (plus the additional \$46 million in wheat from the United States), but the rest of the international community was lagging behind on their one-third, leaving a shortfall of about \$30 million. Rostow hoped that McNamara and the Bank could help with the shortfall. (Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67–6/68, [1 of 2].

4. Treasury and AID should attempt to work out with the Government of Indonesia arrangements under which some part of the rupiahs generated by wheat deliveries can be set aside in a special fund to promote US commercial exports.

**W. W. Rostow**

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**260. Memorandum From Marshall Wright of the National Security Council Staff to President Johnson<sup>1</sup>**

Washington, August 8, 1968.

**SUBJECT**

Rice for Indonesia

The Indonesian aid package that you approved in June included the possible shipment this fall of 100,000 tons of PL-480 rice as a downpayment on our 1969 aid. This was contingent upon domestic availabilities and Vietnam needs.

We would now like to go ahead with this sale. Our domestic crop is good, and Vietnam's requirements are no problem. Our domestic rice market is a little weak, and Agriculture wants this sale now in order to firm it up.

The extra rice will be very helpful to Indonesia in assuring an adequate food supply during the critical months of January-March. A firm commitment from us now will enable the Indonesian Government to go ahead with arrangements for the commercial rice imports that will be required in addition to our PL-480 assistance.

Attached are memos to you from Bill Gaud, Orville Freeman and Charles Zwick, all of whom recommend this transaction to you.<sup>2</sup> Zwick affirms that the transaction is within the 1969 budget cutbacks.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, Vol. VIII, 6/67-6/68, [1 of 2]. Confidential. A note indicates that this memorandum was sent to the Johnson Ranch in Texas on 1:45 p.m., August 9.

<sup>2</sup> Memorandum from Gaud and Freeman to the President, August 2, and memorandum from Zwick to the President, August 6. (Both *ibid.*)

I recommend that you approve the sale to Indonesia of 100,000 metric tons of rice (\$20 million) to Indonesia under PL-480 Title I.

**Marshall**

Approve<sup>3</sup>

Disapprove

Call me

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<sup>3</sup> This option is checked.

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**261. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, October 18, 1968, 10:30 a.m.

SUBJECT

Aid for Indonesia

The yearly meeting of the InterGovernmental Group (IGG) on foreign aid for Indonesia will take place in The Hague on October 20–21. The purpose of the meeting is to agree upon Indonesia's aid requirements for calendar year 1969. We also make our pledge at this meeting as an incentive to other donors.

Indonesia will request and the IMF and World Bank will support a total aid package of \$500 million (\$380 million in economic aid and \$120 million in food).

Attached is a memorandum from Bill Gaud and Orville Freeman which proposes that we pledge about one-third (\$130 million) of the economic aid and offer to meet "the bulk" (up to \$100 million in PL 480 rice and wheat) of Indonesian food aid needs.<sup>2</sup> Our pledge, as usual,

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Indonesia, [Filed by Johnson Library, 12/68–1/69]. No classification marking.

<sup>2</sup> Memorandum from Gaud and Freeman to the President, October 14. (National Archives and Records Administration, RG 59, Central Files 1967–69, AID (US) INDON)

would be contingent upon Congressional appropriations, satisfactory commitments from other donors and satisfactory performance by the Indonesian Government on its stabilization program.

In the past we have talked of meeting Indonesia's total aid needs through a one-third formula (one-third from us, one-third from the Japanese, one-third from everybody else). In fact, however, we departed from this formula last year when our wheat aid of \$50 million and the short-fall in the European aid commitment resulted in our providing 46% of Indonesia's actual aid receipts.

The proposal being submitted to you this year would also mean that we pledge 46% of Indonesia's stated aid needs for 1969.

The proposal is based on two assumptions:

1. that it is an important aim of American policy to provide Indonesia with the external aid she requires,
2. that we should give our aid in such a way as to maximize European and Japanese contributions.

Frankly, unless we do more than one-third there is little prospect that Indonesia's need for \$500 million of foreign aid in CY 1969 will be met.

The Japanese, from Prime Minister Sato down, are now talking about doing less than their 1968 level of \$110 million. In 1968 the Europeans fell far short of their \$110 million. In fact, a rigid adherence to the one-third formula would probably lead the IGG countries to refuse to agree to the \$500 million figure as Indonesia's requirement.

Therefore, we propose to apply the one-third formula only to the non-food part of Indonesian needs, about \$380 million. That gives the Japanese and the Europeans a target of \$130 million each. They will groan, but we believe they can be induced to accept the figure.

On food aid, Agriculture assures me that market conditions are such that we will wish to provide Indonesia with at least 300,000 tons of rice and as much wheat as she can use. Therefore, the proposal is that we pledge ourselves to pick up the bulk of Indonesia's food aid needs, while still pressing other donors for as large a share as we can get from them. We would tell the Indonesians that we are thinking of about \$60 million of rice and perhaps \$40 million of wheat.

Charley Zwick concurs in the Gaud-Freeman proposal. (Zwick memorandum is attached.)<sup>3</sup> Henry Fowler takes exception to our pledging "the bulk" of Indonesia's food needs. Instead he would like us to pledge only to do "a fair share," provided others do the same. He also

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<sup>3</sup> Memorandum from Zwick to the President, October 16. (Johnson Library, National Security File, Country File, Indonesia, [Filed by Johnson Library, 12/68-1/69])



opposes discussing specific quantities of food aid with the Indonesians at this time. (Fowler memorandum is attached.)<sup>4</sup>

The difficulty with the Fowler approach is that the Indonesians need to be able to plan their food procurement rationally, and cannot do so without some idea of what we intend to do for them. Moreover, the distinction between Fowler's "fair share" and Gaud–Freeman's "bulk of food needs" is really a matter of semantics. If we do not meet the "bulk" of Indonesia's food aid needs, they will not be met. It is not in our interest to have another food shortage emergency, as occurred last January.

I recommend you approve the Gaud–Freeman proposal.

Walt

Approve<sup>5</sup>

Disapprove

Call me

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<sup>4</sup> Memorandum from Fowler to the President, October 17. (Ibid.)

<sup>5</sup> None of the options is checked, but in a typed note apparently dictated by Johnson and sent to Rostow on October 18 at 12:30 p.m., the President stated: "I like Fowler's proposal better but can we go as far—we could say 'fair share' and the next administration wouldn't be tied—they could do what they want." (Ibid.)

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## 262. National Intelligence Estimate<sup>1</sup>

NIE 55–68

Washington, December 31, 1968.

### INDONESIA

#### Conclusions

A. The government headed by General Suharto and supported by the army is in effective control of Indonesia. Over the short term, the most likely sources of opposition are the political activists of the

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<sup>1</sup> Source: Department of State, INR/EAP Files: Lot 90 D 165, NIE 55–68. Secret; Controlled Dissem. Prepared by the Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, and the NSA. All members of the USIB concurred with this estimate on December 31 except the representatives of the AEC and FBI who abstained because the topic was outside their jurisdiction.

younger generation and the old-line political parties. Though the Indonesian Communist Party is still badly disrupted, it is possible that over the longer term a radical nationalist movement could develop mass support in Indonesia once again. Nevertheless, the army will almost certainly retain power for the next three to five years, presumably under the leadership of General Suharto.

B. The Suharto government has adopted a moderate, pragmatic approach to Indonesia's serious economic problems. The pace of economic progress will almost certainly be slow for the next few years, and even that pace is contingent on deferment of large foreign indebtedness and substantial new foreign aid and investment. The effectiveness of the government will continue to be hampered by administrative inefficiency, inadequate transport and communication facilities, and basic constraints endemic in Indonesian society, notably a paternalistic system of cultural values that inhibits social discipline.

C. Though Indonesia will remain officially nonaligned, there is likely to be a continuation of the present trends toward improved relations with neighboring countries and the free world, cool relations with the USSR, and hostility toward Communist China. Basically, the present government would like to have the US involved somehow in the protection of Southeast Asia against China, yet it would not favor a direct security relationship with the US or any other outside power, lest this cast doubt on Indonesia's nonaligned image or hinder any future effort by Indonesia to assert its primacy among the Malay peoples. In the unlikely event that the present moderate government were replaced by an authoritarian regime bent on diverting attention from domestic problems, Indonesia might revert to an aggressive policy vis-à-vis Malaysia and Singapore.

## Discussion

### I. Introduction

1. The course of modern Indonesian history has shifted decisively in the three years since the Indonesian Communist Party (PKI) failed in its attempt to eliminate the power of its principal rival, the Indonesian Army. Since the momentous events of October 1965, the army has gradually consolidated its position as *the* political arbiter in the nation. With caution and deliberation, General Suharto, the leader of the army, has destroyed the power of the Communists and Sukarno, and has himself assumed the office of President.

2. The "New Order," as the Suharto government styles itself, represents a fundamental change in the direction of Indonesian political life. In place of Sukarno's politics of emotion and policies of adventure, Suharto has adopted a pragmatic approach to Indonesia's problems. In foreign affairs, this means a policy of nonalignment that leans toward

the West and nourishes hope that Djakarta may someday assume a more vigorous regional role. It also means that over the next few years the government will be preoccupied with domestic matters—above all, Indonesia's tremendous economic problems.

## *II. The Internal Scene*

### *A. The Political Situation*

3. *The Suharto government* provides Indonesia with a relatively moderate leadership. Although the army constitutes the power base for the government, Suharto practices the traditional Indonesian style of consensus politics. Thus, he has taken care to associate responsible civilian politicians and intellectuals with his government. Indeed, in the reshuffle of the Cabinet in June 1968, a number of Western-trained civilian economists were given key roles in the formulation of a five-year plan for economic development. These appointments, added to the presence in the Cabinet of such moderates as Foreign Minister Adam Malik, have improved the public image of the government and made it more acceptable to those opposed to military rule. The government's commitment to hold nationwide elections<sup>2</sup> in 1971 has also contributed toward those ends.

4. The strengths and weaknesses of the government reflect those of General Suharto himself. During the process of dismantling the "Old Order" of Sukarno, Suharto provided much needed stability and authority. Nevertheless, the slowness of his pace, then and now, has provoked considerable impatience and criticism, even among his principal supporters. The reticence of his own temperament is reinforced by his contempt for the excesses of Sukarno, leading him to disdain any appeal to emotion. His apparent inability to elicit popular enthusiasm may make it hard for his government to deal rapidly enough with the major problems facing the country.

5. In this event, differences and discontent among the military leadership are likely to increase and could eventually impede the effective coordination and implementation of national programs. Nor can we rule out the possibility of political conspiracies among the military or efforts by regional commanders to assert greater independence of Djakarta. There is no evidence of any serious splits within the military leadership or of interest in a coup, but the top leaders will keep a wary eye on a number of the more militant younger officers.

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<sup>2</sup> The nature of these elections is far from clear. Presumably they will choose at least part of the members of the Consultative Congress and the Parliament; the present members of both bodies hold office by virtue of appointment. The elections are not likely to affect the status of Suharto, who was elected by the Consultative Congress in March 1968 to a five year term as President. [Footnote in the source text.]

6. *Overt political opposition* to the Suharto government has not been substantial. Most politically articulate elements have been willing to wait and see what the regime can accomplish. A potentially disruptive force is the younger generation of political activists whose appetite for politics was whetted during the campaign against Sukarno. The government has been fairly responsive to their demands, even granting the student "Action Commands" a measure of participation within the nation's highest formal policymaking body, the Consultative Congress.<sup>3</sup> Thus, they are now relatively quiescent, lacking at least temporarily the leadership, organization, and a compelling issue that could bring them back into the streets. Nevertheless, they are potential collaborators of the more militant army officers, who share their impatience at the slow pace of the Suharto government.

7. The legal political parties have also been partially neutralized by their dependence on the government for patronage. Potentially, the most hostile party elements are the left-wing of the Indonesian Nationalist Party (PNI), which has been at least temporarily repressed, and the traditionalist Muslims within the Muslim Scholars' Party (NU) who are unhappy about the secular trend of the present regime and believe that Christians have a disproportionately large role in the government. These parties have little choice but to go along with the government for the time being. They are too weak and divided to marshal much pressure to restore the free-wheeling parliamentary system that proved so debilitating during the 1950's.

8. The government, for its part, has paid lip service to the idea of restructuring the party system, with the dual purpose of providing a political base for itself and of opening constructive channels for such currently disorganized civilian elements as the modernist Muslims and the democratic socialist left. Thus far, little progress has been achieved toward that end. In fact, Suharto's military advisers have apparently persuaded him to block the installation of a new chairman by the Indonesian Muslim Party (PMI), thus causing considerable resentment in moderate and modernist Muslim circles.

9. *The Indonesian Communists* do not currently constitute a serious threat to the government. The PKI was badly shattered after the attempted coup of October 1965, and they have suffered further serious setbacks since then. During the summer of 1968, the army wiped out an incipient Communist insurgency in East Java and killed or captured

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<sup>3</sup> According to the Indonesian Constitution of 1945, the Consultative Congress has the power to determine the broad lines of national policy, to elect the President, and to amend the Constitution. The Parliament, while subordinate to both the President and the Consultative Congress, has responsibility for enacting legislation. Its members are automatically members of the Consultative Congress. [Footnote in the source text.]

a major part of the Maoist-oriented PKI leadership. Although the Suharto government is weeding out leftists from the armed forces, and has largely neutralized those within the air force and the police, the recent exposure of Communists and Sukarnoists within the army itself has demonstrated that the services have not yet been completely purged.

10. A longer term danger lies in the social and economic conditions that enabled the PKI to build a potent force before 1965. These conditions, and the difficulty of changing them, will provide numerous issues to exploit; thus, it would be premature to regard the PKI as an unimportant factor. Moreover, its potential would increase considerably if new leaders emerge and are able to revive the alliance with leftists in the PNI and with other former Sukarnoists. If, over the longer term, the present government's efforts at economic development should seriously falter, a radical nationalist movement could develop mass support in Indonesia once again.

11. There is no force in Indonesia today that can effectively challenge the army's position, notwithstanding the fact that the Suharto government uses a fairly light hand in wielding the instruments of power. Over the next three to five years, it is unlikely that any threat to the internal security of Indonesia will develop that the military cannot contain; the army—presumably led by Suharto—will almost certainly retain control of the government during this period. The leadership will try to keep politics in abeyance and concentrate the government's energies on the country's tremendous economic problems. The next few years will be critical, therefore, in determining whether the Suharto government can govern effectively.

#### *B. Administrative and Social Problems*

12. Even given a period of political stability, the effectiveness of the government will be hampered by the shortcomings of Indonesia's vast bureaucracy. No one knows exactly how many civil servants there are; the figure certainly exceeds one million, with another one to two million employed by state enterprises. The extremely low pay scales and the extensive links between the bureaucracy, the political parties, and other narrow interest groups have made graft the principal catalyst for bureaucratic action. Because any far-reaching attempt to rationalize the bureaucracy would threaten the livelihood of so many people, no Indonesian government can easily or quickly change the situation.

13. Suharto has circumvented the problem of the civil bureaucracy in part by placing military officers in key positions throughout the administrative structure. The army is the most cohesive and nationally-oriented institution within Indonesia; hence, it is the best available instrument for the gigantic task of modernization. After more than 20

years of active involvement in civil affairs, the army leadership has a sense of national mission which generally transcends the ethnic, religious, and geographic divisions that have made it so difficult to mold together the Indonesian nation. The officer corps is relatively well educated and, under strong direction, could become an effective force for modernization and reform.

14. There are, however, severe limitations on the ability of the military to administer governmental policies effectively. These limitations are not peculiar to the army itself, but rather are functions of broader cultural and physical facts of Indonesian life. The basic problem of distance between Djakarta and the outlying provinces is magnified by the woefully inadequate system of transportation and communication. Even if the latter were rehabilitated over the next few years, the central government in Java would still lack the resources and the inclination to meet the needs of the outer islands. As a result, the government's administrative structure, while highly centralized in theory, has considerable *de facto* regional and local autonomy. Except for the unity and discipline that the army's command structure itself provides, the policies of the central government fail to grip or affect the lives of the plantation worker on the rubber estate in Sumatra, the small Islamic trader at the bazaar in Central Java, or the displaced nobleman-turned-entrepreneur on Bali. The resultant inefficiency serves only to reinforce the prevalent Indonesian tendency to rely on personal relationships to get things done.

15. Although there is, of course, a severe shortage of able administrators in Indonesia, the greatest obstacle to effective government is probably Indonesian culture itself. Among the dominant Javanese in particular, but also among Indonesians generally, cultural values inhibit the imposition of the kinds of social discipline that are characteristic of the economically advanced countries of Asia, Europe, and North America. Even the Western-trained members of the governing elite are generally reluctant to employ modest forms of coercion to prod their own people, or themselves for that matter, to change their ways. The government, as a consequence, asks extraordinarily little of itself or its citizens. There are few obligations either to do things in the common interest or to avoid actions opposed to it. Indeed, the traditional culture is so strong, and the vested interests are so great, that it is extremely difficult to circumvent the existing power structure or to change the established ways of doing things.

16. Indonesian society is based on a complex fabric of personal relationships, patronage, and paternalism known as "bapakism."<sup>4</sup> Al-

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<sup>4</sup> "Bapak" means both "father" and "boss." [Footnote in the source text.]

though to most Westerners "bapakism" may appear to be merely a systematic form of graft, it has useful as well as negative aspects. Men are held responsible for their actions, so that the initiative and effort of the man who "produces" within the system is rewarded. Thus, men of talent and ingenuity are able to rise within the generally stratified, traditionalist society. The problem is that the system gives a decisive role to personal contacts and minimal importance to formal restraints. Few, if any, institutions are disciplined by impersonal rules of behavior. As a result, corruption within Indonesia is less the product of laxity in law enforcement than of a social system that values honesty well below loyalty and resourcefulness. Because of the prevalence and pervasiveness of "bapakism," only a revolutionary regime unconcerned with either stability or humaneness would dare to tackle the problem directly at its roots.

### *C. Economic Problems*

17. A seriously dilapidated economy is the legacy of two decades of mismanagement and neglect: agriculture is inefficient; the industrial sector, though beginning to recover, is still small and backward; and communications and public services are in disarray. The vast majority of Indonesians live in extreme rural poverty and are largely insulated from the fluctuations of the money economy. At present rates of increase, the population of 115 million will double in 20-odd years. Problems of overcrowding and extreme poverty are particularly acute on Java, where about two-thirds of the people live. The standard of living of the average person is probably lower now than it was at the beginning of the Second World War. But it is significant that in recent months the Indonesian economy has begun to show signs of improvement.

18. With aid and guidance from the industrialized nations of the free world, the Suharto government has attacked the corrosive problem of inflation. The current rate of two percent per month is hardly satisfactory, but it is a substantial achievement compared with the runaway inflation of earlier years. The shortage of food, particularly rice, has been a key factor in causing inflation. Western assistance in supplying large quantities of rice and other foodstuffs, and reorganization of the Indonesian Government's rice procurement and distribution system, have played decisive roles in reducing the problem significantly during the ordinarily lean winter months. Over the longer term, Indonesia will require considerably greater use of fertilizers, pesticides and new seed strains, as well as the improvement of irrigation facilities, if food production is to meet the demands of the soaring population. Greater self-sufficiency in rice is essential if inflation is to be curbed.

19. Government spending has also been an important cause of inflation. At the insistence of the International Monetary Fund, Suharto's team of Western-trained economists has tightened administra-

tive controls over the budget. Subsidies on certain consumer items such as kerosene, gasoline, electricity, and public transport have been cut; tax collection has been improved; and the number of employees in at least one state enterprise (Garuda Indonesian Airways) has been cut back. These measures have not been popular, of course, but they have been constructive.

20. A second major economic problem facing Indonesia is the need for investment. There is little private domestic capital in Indonesia, even in comparison with other poor countries. Much that does exist is in the hands of ethnic Chinese who are concentrated in the export-import and wholesale-retail trades. Because of widespread hostility against them, the Chinese are generally not disposed to make new, long term investments, particularly in fields in which they are not already well established.

21. An essential part of the Suharto government's economic program, therefore, has been to welcome foreign capital back to Indonesia. Already about 25 American and European firms have recovered control of mines, estates, and other enterprises nationalized under Sukarno. In addition, liberal legislation has been enacted to attract new private foreign investment. Tax incentives are offered and the rights of managerial control, repatriation of profits, and compensation in the event of expropriation are, in large measure, guaranteed. The prospects for private foreign investment in extractive industries are fairly good, but it will take several years before survey and exploratory work can pay off in large-scale production, export earnings, and tax revenues. Some of Indonesia's traditional export industries such as rubber, tin, and copra are on the decline because of inadequate maintenance over the years and falling prices on the world market. Nevertheless, there is substantial foreign interest in new investment in relatively untapped resources of nickel, copper, bauxite, and timber. The most promising industry, from the standpoints of both foreign capital and Indonesian economic growth, is oil. Crude production, chiefly from the fields of Caltex<sup>5</sup> in Central Sumatra, now averages 600,000 barrels per day, and daily output will probably exceed one million barrels within the next three years. On balance, however, Indonesia's export earnings (and, therefore, much needed foreign exchange) will probably grow slowly, not increasing substantially before the mid-1970's.

22. A third major problem is Indonesia's tremendous foreign debt of \$2.7 billion. The related problem of the balance of payments will be

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<sup>5</sup> Caltex, which is jointly owned by the Texas Company and the Standard Oil Company of California, weathered the Sukarno years better than any of its competitors. In 1968, it made the largest new investment of any firm in Indonesia, \$24 million. [Footnote in the source text.]



compounded if an attempt is made to repay the debt. Indonesia's free-world creditors have deferred and rescheduled the debt to them coming due each year since 1966, and are now undertaking an overall appraisal of Indonesia's capacity to begin repayment in the 1970's. They will probably decide to stretch out further the payment of the more than \$1.5 billion owed to them. Indonesia has already defaulted on some payments due on its debt of about \$1.2 billion to Communist states, and there is strong feeling in some quarters against repaying this debt (which is chiefly for arms and prestige projects from the USSR).

23. A closely related issue is that of new foreign aid. Although much that needs to be done in Indonesia is neither dependent on nor amenable to foreign aid, there is little hope for economic progress without it. The Intergovernmental Group (IGG), led by the US, has granted substantial economic assistance to Indonesia since 1966. Of the roughly \$325 million contributed in 1968 (about \$250 million for imports to stabilize prices and the remaining \$75 million for investment projects), the US and Japan each provided approximately one-third. It will take considerable prodding to get Japan to continue to match the US contribution, although Japan, West Germany, the Netherlands, and Australia can be expected to provide sizable amounts of aid. The Western and Japanese donors insist that their aid not be siphoned off to repay Indonesia's debt to Communist countries and other countries that are not providing offsetting assistance. It is noteworthy that the World Bank has decided to give special priority to Indonesia, having established in Djakarta its first permanent mission to any less-developed country.

24. Over the short term, Communist countries are likely to provide little if any additional aid to Indonesia. Over the past year, the USSR has sent less than a hundred technicians and has sold about \$3 million worth of spare parts on a strictly cash basis to Indonesia. It has extended no loans or credits to the Suharto government, and the status of unspent portions of Sukarno-era credits has not been resolved.

#### *D. Prospects*

25. What is principally at stake in Indonesia over the next few years is whether a pragmatic, forward-looking government such as Suharto's can generate sufficient progress to win enduring support.

26. The pace of economic progress will almost certainly be slow, but this fact will probably prove more frustrating to the moderate leadership elements within Indonesia and their friends abroad than to the great mass of Indonesians. The latter, and particularly the Javanese, are generally passive in the face of authority. Under Sukarno they tolerated years of economic folly and neglect; a few more years of economic hardship will not make much difference to them. Indeed,

the vast majority of Indonesians have little notion that any condition other than poverty is possible for them. They will probably be able to subsist even though economic conditions should appreciably worsen.

27. The present leadership will probably be able to cope with the domestic situation for the next two to three years. Inflation will probably be kept within tolerable limits, and some new private foreign investment will be forthcoming. Indonesia's free-world creditors are likely to stretch out the payment of Indonesia's debt to them and also provide substantial foreign aid.<sup>6</sup> In future years, of course, a number of factors quite apart from the situation within Indonesia could affect the ability and willingness of donors to extend such high levels of aid.

28. Issues such as self-determination for West Irian,<sup>7</sup> food shortages, and blatant corruption will present problems for the government over the next few years, but these should be manageable. However, the slow pace of economic progress may become an issue by 1971, when the government will also face mounting pressure to honor its commitment to hold elections. The old-line parties and other groups will try to find ways to embarrass the government and advance their own ends, and there will probably be occasional instances of civil unrest, particularly in the larger towns and cities. By 1971, it is also possible, although highly unlikely, that the Indonesian Communists could be reorganized sufficiently to mount a sustained campaign of terror or to begin to form a new leftist political coalition.

29. If the domestic situation does deteriorate, the army will almost certainly grow less tolerant of dissent. If the government became alarmed at a real or imagined threat to internal security, it would probably postpone elections once again. Though we do not judge it likely, the moderate leadership might also be set aside and replaced by a more authoritarian government. But in either event, the military will almost certainly be able to maintain its grip on power.

### *III. Foreign Policy*

#### *A. Main Trends*

30. The foreign policies of the Suharto government are characterized by pragmatism, caution, and moderation. As a consequence of

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<sup>6</sup> Indonesia has requested \$500 million in aid for 1969 but about \$150 million of this is for multi-year projects, so that no more than \$350 million will be available for disbursement in 1969. This is probably about all that Indonesia can absorb. [Footnote in the source text.]

<sup>7</sup> Indonesia is obligated to carryout an "act of free choice" in West Irian in 1969; i.e., to test—in some unspecified manner—whether the people of that territory wish it to be established as a permanent part of Indonesia. [Footnote in the source text. U.S. officials' discussions in late 1968 with the Indonesians and Dutch about the modalities for the "act of free will," is in National Archives and Records Administration, RG 59, Central Files 1967-69, POL 19 West Irian.]

the fall of Sukarno and the havoc wreaked on the Indonesian Communists, the close ties that used to characterize Indonesian relations with Communist countries have been greatly weakened. Contacts between Djakarta and Moscow have cooled considerably, and relations with Peking have deteriorated to the present state of open antagonism. On the other hand, Indonesia has grown increasingly receptive to the aid and investment of the industrialized countries of the free world. Thus, while maintaining formal nonalignment, Djakarta is in fact drifting closer toward the Western camp.

31. The Suharto government has forsaken Sukarno's conception of Indonesia as the champion of the "new emerging forces" of the underdeveloped world, and taken a more realistic attitude toward Indonesia's international position. Thus, the "New Order" has sought to improve relations with Australia, New Zealand, and Indonesia's neighbors in Southeast Asia. The "confrontation" against Malaysia has given way to cooperation in an attempt to suppress a few hundred Communist insurgents in northwestern Borneo. Then, too, the hostility that persists between Singapore and Indonesia—born of economic dependence and racial animosity—has generally been kept below the surface, though the recent anti-Chinese outbursts in Surabaya have revealed its explosive potential. Moreover, the regime's restrained response to popular demands for retaliation against Singapore was a victory for the moderate leadership of Foreign Minister Malik. Finally, Djakarta has offered to do whatever it can to resolve the dispute between Manila and Kuala Lumpur over Sabah.

#### *B. Indonesia's Role in Southeast Asia*

32. The new moderation in Indonesian foreign relations is based on careful calculation of Indonesia's national interests. Indonesians see themselves as potentially the dominant power of the Malay world—and possibly of all Southeast Asia. They seem to have learned, however, that the aggressive policies of Sukarno did more to damage than to promote the kind of leadership that Indonesia seeks. Thus, the Suharto government has chosen to follow the path of regional cooperation instead of conflict. As the prime mover in the formation of the Association of Southeast Asian Nations (ASEAN), Indonesia is actively attempting to improve its economic and cultural relations with its fellow members—Malaysia, the Philippines, Thailand, and Singapore.

33. Although Djakarta is apprehensive about the intentions and the power of Communist China, it foresees no major external threat to its own security over the next few years. It believes that the main threat to itself and other nations of Southeast Asia lies in internal Communist subversion designed to capitalize on their economic and social weaknesses. As a result, Indonesia believes that the major effort of these nations should be devoted to improving the condition of their people

and strengthening their internal security organizations. There is little belief in the feasibility of putting military teeth into ASEAN or any other strictly regional grouping under present circumstances.

34. Indonesia hopes that the Western presence in Southeast Asia will be maintained until the nations of the area are capable of assuming a regional security role themselves. Basically, the present government would like to have the US involved somehow in the protection of the area against China, yet it would not favor a direct security relationship with the US or any other outside power, lest this cast doubt on Indonesia's nonaligned image or hinder any future effort by Indonesia to assert its primacy among the Malay peoples. The army would perhaps be more favorably disposed to a US-supported regional security arrangement than would various civilian elements.

35. Indonesia will continue to be particularly reluctant to join any regional grouping which carries a patently anti-Communist label. Leading civilians, including Foreign Minister Malik, apparently assume that eventual Communist success in all of Indonesia is virtually inevitable. They are not particularly apprehensive about such a denouement, however, because they anticipate that it would increase Hanoi's independence of Peking and lead to a greater Soviet role in the region that would counterbalance the power of Communist China. The military, including General Suharto, is less pessimistic about the prospects in Vietnam and the rest of Indochina but far more apprehensive that an enlarged Soviet presence in the region would be used to subvert the Suharto government.

### *C. Indonesia and the Great Powers*

36. Relations between Moscow and Djakarta have been on the downgrade since October 1965. The USSR is increasingly disturbed by the continuing vigor of the government's anticommunism and by Djakarta's growing dependence on the US, Western Europe, and Japan for aid and investment. Moscow would like to woo the beleaguered Indonesian Communists away from the Maoist tactics that they have been following. So long as the present trend toward Indonesian friendship with the free world continues, Moscow will probably continue its criticism of the Suharto government and enlarge its efforts to develop a resurgent leftist threat in Indonesia. Thus, the USSR's present cool but correct, cash-on-the-line economic relations with Indonesia could worsen.

37. For its part, the Suharto government probably does not want its relations with the USSR to deteriorate further. Foreign Minister Malik, in particular, would like to balance Indonesia's increasing reliance on the Western countries and Japan by keeping lines open to Moscow. Malik probably considers that continuing nonalignment is in

Indonesia's long-term national interest, for it would hold out the prospect of receiving aid from both East and West and offer more room for diplomatic maneuver. Though the military probably wants to continue to be able to obtain spare parts from Moscow in order to maintain its equipment, it might be less concerned about offending the USSR. It probably sees a brighter future for Indonesia and itself in building up ties with the free world.

*D. Contingencies*

38. The Suharto government is not currently inclined toward a bellicose or chauvinistic posture, and it will probably remain fairly moderate in its foreign policies. So long as the domestic situation does not deteriorate and so long as Indonesia can rely on economic assistance from the free world, it will have strong incentives to continue on its present course. Although economic progress, even with substantial foreign aid, will almost certainly be slow, the free world will probably want to continue to give Indonesia support. The key to Indonesian foreign as well as domestic policy, therefore, will be whether the Indonesians themselves maintain confidence in a pragmatic approach to their very serious problems.

39. In the unlikely event that the present moderate leadership of Indonesia were replaced by a less responsible government, the consequences for Indonesian foreign policy might be extremely serious. Sukarno was able to divert the attention of Indonesians of the right as well as the left from problems at home by pursuing an aggressive policy abroad. A pattern of belligerence could emerge once again. It could be fueled by doctrines of a greater pan-Malay nationalism; likely targets would be Singapore and Malaysia. Such a prospect is remote at the moment, but Indonesian ambitions and a latent strain of aggressiveness are factors that should not be lost sight of.

# Malaysia–Singapore

## 263. Action Memorandum From the Assistant Secretary of State for Far Eastern Affairs (Bundy) to Secretary of State Rusk<sup>1</sup>

Washington, July 13, 1964.

### SUBJECT

Substantive Aspects of the Visit of the Prime Minister of Malaysia

### *Discussion*

The Prime Minister of Malaysia will seek to convince us that Indonesia intends to carry out its avowed policy of crushing Malaysia and driving the West from the area, thus complementing Communist strategy in Southeast Asia.<sup>2</sup> He will seek to demonstrate the need for the United States to provide forthright, concrete support for Malaysia in the face of Indonesian confrontation. He will indicate, if not state, his opposition to the continuation of our aid to Indonesia in any form.

Our problem is to reaffirm our support for Malaysia and make some tangible gesture of encouragement without involving the United States in either the substance of the dispute or in substantial new commitments in Southeast Asia, and without needless aggravation of our relations with Indonesia.

There are several alternatives:

#### 1) Economic Assistance Program.

Such a program cannot be justified at this time since Malaysia has a relatively good economic situation, possibilities of additional revenues through taxation, substantial reserves and unexploited opportunities for borrowing from the IBRD, other friendly western governments and commercial sources.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 15–1 MALAYSIA. Confidential. Drafted by Moscotti; cleared in draft with G/PM, AID, and DOD; and sent through Harriman who initialed it.

<sup>2</sup> In a Special Report SC No. 00612/64B, March 27, prepared by the Office of Current Intelligence, the Central Intelligence Agency concluded that Indonesia's policy of confrontation had diverted attention from Malaysia's serious internal problems, primarily communal friction among the Chinese and Malays throughout Malaysia, Malays on Borneo and on the mainland, and between Chinese elements on the mainland and the rest of Malaysia. The CIA stated that the federal government "apparently is either not interested in pulling the four disparate parts of Malaysia together or is unable to do so. Malaya (the mainland), Singapore, Sabah, and Sarawak are scarcely more united now than they were when formally merged last September." The CIA suggested that without the "cohesive effect of the Indonesia confrontation, the federation might already be disintegrating." (Johnson Library, National Security File, Country File, Malaysia, Vol. I, Memos, 11/63–3/64)

2) Other Types of U.S. Assistance.

There are 330 Peace Corps Volunteers in Malaysia at present and there is little possibility of expanding this program. We are informally assisting the Malaysians in locating sources of technical information, facilities for training in U.S. Government and private institutions, and intend to expand this so-called "non-AID aid" which does not require any special budgeting of U.S. funds. We have already informed the Government of Malaysia of this activity.

3) Military Sales on Credit Basis.

We have told the Malaysians on several occasions that we would be willing to assist them in the purchase of military equipment in the U.S. and to explore all available U.S. Government and commercial sources of credit to secure the best possible terms once they had submitted firm requests for material. They recently requested price and availability data on certain heavy military equipment (armored personnel carriers and anti-aircraft guns). We propose to meet this and future requests for such information and to sell such equipment on the best credit terms available to the Department of Defense.

4) Military Training.

The Prime Minister has informally expressed an interest in training Malaysian officers in the U.S. We believe a small military training program, involving not more than ten officers and costing approximately \$100,000 a year, would offer important political advantages at low cost. It would demonstrate both to Malaysia and to Indonesia U.S. support for Malaysia in concrete terms. Indonesia could not logically take exception to such a program since Indonesian officers are already being trained in the U.S. Such a program would also give us contact with young Malaysian officers who may become national leaders in the future.

5) Public Statement of U.S. Support for Malaysia.

I believe we should use the joint communiqué which will be issued after the Prime Minister's meeting with the President to reaffirm our support for Malaysia, but that we should not agree to language criticizing or commenting on Indonesia's policy of confrontation. To do the latter would neither add to Malaysian strength nor contribute to a relaxation of confrontation and might instead encourage greater Indonesian intransigence. We should be pro-Malaysia, not anti-Indonesia.

If response to criticism of our aid to Indonesia is indicated, I suggest we point out that unlike Malaysia, the structure of the Indonesian government rests entirely on one man; that we must look beyond Sukarno to the uncertainty perhaps chaos which is likely to follow his departure from the scene; that in our common interest we must maintain contact with elements in Indonesia that can prevent an outright Communist takeover; that our assistance to Indonesia is carefully

screened to eliminate elements which would contribute to Indonesia's ability to prosecute its military pressure on Malaysia.

*Recommendation*<sup>3</sup>

1) That we suggest to the Prime Minister that the Chief of the Armed Forces Staff of Malaysia be invited to the U.S. to visit U.S. military training establishments with a view to the possibility of setting up a small U.S. military training program for Malaysian officers.

2) That we reaffirm to the Malaysians our willingness to assist them in securing the best credit terms available for the purchase of military equipment, and that we ask the Department of Defense to provide the Government of Malaysia with appropriate information on military equipment in which they express an interest.

3) That we recommend to the President that a forthright statement of our support for Malaysia be included in the communiqué covering talks with the Tunku, but that we also recommend against the use of this communiqué as a vehicle for castigating Indonesia.

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<sup>3</sup> Rusk approved all three recommendations on July 15.

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**264. Memorandum From Secretary of State Rusk to President Johnson<sup>1</sup>**

Washington, July 20, 1964.

SUBJECT

Your Meeting with Prime Minister Tunku Abdul Rahman

*A. The Prime Minister*

*Cambridge-educated*, fluent in English, the Tunku (Prince) is a *warm-hearted, genial man* of 61 who is known as the father of his multiracial nation.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 MALAYSIA. Secret. There is no drafting information on the memorandum. A typed note reads: "Sent to White House via Briefing Book 7/20/64."



*A skilled politician, he was a principal leader in the 1948–60 fight against Communist terrorism, led the country to independence in 1957 and has since dominated Malayan and Malaysian politics.*

*He visited here in the fall of 1960, is strongly anti-Communist and friendly to the West.*

*B. His State of Mind*

*The Tunku is deeply troubled by almost two years of Indonesian hostility to Malaysia. He comes from strenuous efforts to win further support from the Commonwealth Conference in London.*

*C. His Objectives*

*1. To explain Malaysia's position as the aggrieved party in the Indonesia-Malaysia dispute.*

*2. To place Indonesia's "crush Malaysia" campaign in the context of the Communist strategy of driving the West out of Southeast Asia.*

*3. To evoke (a) a more forthright American public statement supporting Malaysia against Indonesia, and (b) some tangible demonstration of this support.*

*D. Our Objectives*

*1. To emphasize our determination to resist Communist efforts to drive us out of Southeast Asia.*

*2. To reaffirm our support of Malaysia.*

*3. To explain the rationale of our Indonesian policy.*

*4. To prevent the Tunku's visit from exacerbating the Malaysia-Indonesia problem and poisoning our relations with Sukarno.*

*E. Major Topics of Your Talks Are Expected To Be:*

*1. U.S.-Malaysian Relations*

*The Tunku will express satisfaction with our relations and gratitude for your statements of support for Malaysia and the Peace Corps program.*

*2. Indonesian Confrontation*

*The Tunku will discuss the economic and military burden of resistance to Indonesia and, without directly asking for it, imply that Malaysia merits aid as a beleaguered standard bearer for the West in Southeast Asia.*

*He will cite the recent Mikoyan visit to Indonesia as evidence that confrontation serves the Communist effort to drive the West from Southeast Asia. He will maintain that U.S. aid to Indonesia, even at its present low level, serves to prop up Sukarno and harass Malaysia.*

*You might say:*

*We are proving in Viet-Nam our determination to resist Communist aggression. (Note Malaysia's assistance to Viet-Nam in training and material.)*

Both you and President Kennedy have expressed publicly *U.S. support of Malaysia*, which we are prepared to reaffirm. As further evidence of our position we would propose to invite the Malaysian Chief of Staff, General Osman, to visit the United States to inspect our military schools to help develop a *training program for Malaysian officers*.

We have *no illusions about Sukarno*. But *Indonesia*, now and in the future, is of the utmost importance to all of us, not least to Malaysia itself. Our aid to Indonesia has been sharply reduced and we are satisfied that it is not helping Indonesia militarily. It is, however, permitting us to maintain some contact with key elements in Indonesia which are interested in and capable of resisting Communist takeover. We think this is of vital importance to the entire Free World.

We appreciate the Tunku's patient efforts to reach a negotiated settlement with Indonesia. Note continuing efforts of the Philippines and Thailand to assist. The door should be kept open for an Asian settlement, and the Tunku should seek to improve his relations with the Philippines.<sup>2</sup>

Averell<sup>3</sup>

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<sup>2</sup> President Johnson met with Prime Minister Tunku Abdul Rahman of Malaysia on July 22 from 12:04 to 12:29 p.m. Only the President and the Prime Minister were present so no memorandum of conversation was made beyond a one-line memorandum of acknowledgment of the private nature of their meeting. (Ibid. and Johnson Library, President's Daily Diary) For a second-hand account of the meeting, see Document 265.

<sup>3</sup> Averell Harriman signed for Rusk above Rusk's typed signature.

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## 265. Memorandum of Conversation<sup>1</sup>

Washington, July 23, 1964.

### SUBJECT

Conversation with Malaysian Secretary for External Affairs

### PARTICIPANTS

Dato Muhammad Ghazali bin Shafie, Permanent Secretary for External Affairs,  
Malaysia

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 7 MALAYSIA. Secret. Drafted by Cuthell and approved in M on August 11.

W. Averell Harriman  
William P. Bundy, FE  
James D. Bell, Ambassador to Malaysia  
David C. Cuthell

The following is a summary of the principal points covered during a 45-minute conversation with Ghazali today.

*Tunku's Meeting with President Johnson*

Governor Harriman noted that the President had met privately with the Tunku and that we were interested in learning the Tunku's understanding of what had happened. Ghazali said that he had talked with the Tunku in general about the visit, and had found him extremely pleased at the nature of his reception and at the President's warmth. The Tunku had told Ghazali that he and the President had discussed Malaysia's current problems, and reported that the President had offered help in the form of military training and sales of military equipment. The Tunku had not expressed interest in details on these two subjects and would leave it up to his "technical people" to work matters out with us. Ghazali expected that the next step would be for Inche Abdul Kadir bin Shamsudin (Secretary for Defense) to go into more detail with Defense in regard to general types of equipment and training needed as well as financial considerations, but felt that no precise agreements would be sought by the Malaysian side at present. He seemed aware that the President had suggested that the Tunku send General Osman to the United States, and thought that Osman's visit might be a good time for more precise equipment sales arrangements to be made. Ghazali felt that the Tunku was more concerned about the general friendly atmosphere he had encountered than in the precise nature of the military arrangements discussed.

*Draft Communiqué<sup>2</sup>*

Ghazali accepted the changes which had been made in his version of the draft communiqué without hesitation. Governor Harriman explained to him that we could not use a word like "assistance" in referring to what we were willing to do to help Malaysia, as this carried with it, in a military situation, the connotation that we would be willing to commit troops to the defense of Malaysia. This, the Governor said, we were not contemplating. Ghazali made it clear that he quite understood our position and that he was well aware that American troops would not be engaged.

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<sup>2</sup> For the communiqué as released, see *American Foreign Policy: Current Documents, 1964*, pp. 899–900.

### *Philippines*

Ghazali said that during his last visit to Kuala Lumpur Lopez had specifically told him and most of the cabinet, individually and collectively, that the Philippines would normalize its relations with Malaysia if the Tunku went to the summit meeting in Tokyo. As a result, the Malaysians feel that they have been let down. He indicated the usual Malaysian lack of respect for the Sabah claim, but felt that the subject could be satisfactorily handled if the Filipinos would abandon their present insistence on reference of the case to the ICJ, and would agree instead to meet bilaterally with Malaysia to discuss the political and financial implications of the claim and to seek joint agreement as to what channel should be used in trying to resolve it. Ghazali noted that Malaysia would have great constitutional problems if it agreed to the International Court in advance, as this would require currently unobtainable approval by the Sabah legislature. He felt that, if Sabah representatives were included in the preliminary talks with the Filipinos however and these talks reached the agreed conclusion that the Court was the only suitable channel, Sabah would be willing to go along. He felt, however, that Philippine opposition to Malaysia had tapered off, and was not a problem any longer.

In regard to general Philippine policy, Ghazali agreed to the general assessment that the Philippines has moved from support of Indonesia to general neutrality, but characterized Philippine policy as still being based on their assumption that they had a useful moderating role to play. Ghazali said that perhaps they did have such a role, but indicated that he did not think so. He agreed that at this point President Macapagal seems to be genuinely anxious to reach a settlement, but seemed in no way disappointed that Lopez had apparently withdrawn from the picture.

### *Current Situation in Indonesia*

Ghazali expressed the view that the basic trouble with Sukarno is that he is extremely badly informed both about conditions in his country and about foreign attitudes towards it. He affirmed his view that Sukarno is not a Communist but felt that Communist influence on him is very great and that the strength of the PKI is increasing. He dismissed Nasution as having no further real capacity for major influence in Indonesia and seemed to feel that General Yani was much more likely to be the leading military man in the period ahead. At the same time, he called Yani a complete opportunist, said that Yani had been brought to Tokyo by Subandrio, and made it clear that he regards Yani as being currently lined up with Subandrio.

### *Possible Yani Visit*

Governor Harriman said that we were considering whether it would be useful to invite Yani to the United States, that we were

inclined to feel our ties with the top Indonesian military were still of value, but that we had reached no decision and would be glad to have any Malaysian reaction. Ghazali did not pick up this gambit and clearly did not express opposition to the move. No timing for the visit was mentioned.

### *Future of Indonesia*

Ghazali agreed with Mr. Bundy that, although Indonesia is under heavy economic strain as a result of confrontation, there was no real prospect that economic pressure alone would be sufficient to cause a dramatic overturn in political affairs in Indonesia in the near future. Ghazali admitted that various Malaysians were asserting publicly that the end was in sight in Indonesia, but wrote this off as political talk. He did, however, feel that the current deterioration will inevitably have a cumulative effect even in a demonetized society like Indonesia, and said that unless Sukarno made major changes the country was headed for collapse. Coming back to his previous assertion that Sukarno is uninformed, he felt that it was essential in some way to make Sukarno realize that he could not win through confrontation, that he could not succeed in crushing Malaysia, and that, in effect, his current high-voiced anti-colonialism was possible only because he was protected by the Seventh Fleet. The corollary which he drew was that the United States should make these things clear to Sukarno. He was assured that we have repeatedly done so, and that Sukarno seems to be well aware of Indonesia's current dependence on American power for protection from China.

Ghazali's preferred solution to the whole problem emerged as requiring change in the nature of the Indonesian Government, authority being returned to the people of the individual islands, the central government in Djakarta being removed or downgraded as the source of power, and a federal system like that in the United States or Malaysia being installed. If such a system were developed, according to Ghazali, Malaysia would be willing to be a part of it, and this in his view would be the only way of keeping Communism out of the area. Ghazali advanced the interesting theory that had Sun Yat-sen not unified China we would not today be faced by a Communist-controlled unified China, and, when this theory seemed to produce less than complete agreement, advanced the further idea that Europe today is not Communist because it has been "Balkanized," his point being that, had large states like the Austro-Hungarian Empire persisted, one or another of them would have become Communist and "half of Europe" would be lost to the Communists.

Asked what he thought the chances were of such a breakup in the Indonesian political structure, Ghazali noted that regional feelings were strong in the country, and especially so in Sumatra and Sulawesi. He

could cite no current dissidence in Sumatra but said he was in very close touch with the situation and with many responsible Sumatran leaders and was convinced that Sumatra is "on the move." In regard to Sulawesi, he said that he was in extremely close touch with the situation and that there were now more than 23,000 rebel troops under arms. Ghazali said that Malaysia was quite capable of taking advantage of this situation, but insisted that his country is not taking action to do so as yet. He felt that when the time came the mistakes of 1958 should be avoided, that the United States and the West should stay out of the picture, and that Malaysia should be the power to stimulate action, using Indonesians with whom it is in contact.

(In a subsequent conversation with Mr. Bundy, in the car going to the White House, Ghazali further embroidered the theme of Indonesia being turned into a federated state and indeed being ultimately joined with Malaysia on a federated basis. He repeated his belief that there was strong separatist sentiment particularly in Sumatra and Sulawesi, and said that he was afraid we, the United States, did not have adequate information on this trend of thought. Mr. Bundy noted that the former Sumatra leaders had all been driven out as a result of the 1958 rebellion, and wondered where leadership might be found for any such movement. He also mentioned the Masjumi elements, and Ghazali replied that they were merely one of many groups that had this separatist feeling. Ghazali went on to imply strongly that Malaysia would be doing all it could to find and stimulate such sentiment. Mr. Bundy responded that, while Ghazali's vision of a federated state for the whole area might be an eventual possibility for good, any Malaysian effort in this direction at the present time would be playing a "dangerous game" and might have the effect—as the 1958 rebellion had had—of further uniting Indonesia. This conversation was brief, and the matter was not really followed to any kind of conclusion. However, Ghazali's theory is apparently somewhat more than a parlor speculation, at least as far as he himself is concerned.)

### *Indonesian Terrorism*

Ghazali characterized current Indonesian terrorism in Malaya and Singapore as "very low level" but said that it was a great nuisance and that the Malaysians were giving considerable thought to retaliation in kind. One school felt that the Malaysians should knock out subversive bases in neighboring Indonesian territory, presumably the Riau Islands, but that he felt this would be rather futile and that the way to strike back was through sponsoring similar terrorist activity in Indonesia by discontented Indonesians. Here again, he emphasized that all this was still in the discussion stage and that Malaysia was not acting. He added, however, that he had told Suwito (Indonesian Deputy Foreign Minister) that Malaysia had the capacity to indulge in counter-terrorism and had

warned Suwito that Indonesia should not take the chance of turning this on.

*Soviet Interest in Southeast Asia*

Governor Harriman reviewed current Soviet policy in Southeast Asia, concluding that the Soviets were no longer interested in playing the major Communist role in this area, that they would probably be quite willing to see the Chinese Communists get a “bloody nose” from time to time, but that they recognized that the Chinese would be the major Communist influence in the area. He suggested that, as Malaysia is as firmly interested as we are in keeping Communist power from dominating the area, we and Malaysia should be in close and regular touch about developments in Southeast Asia, and in regular consultation on what the future holds. He said that we need not necessarily always accept each other’s suggestions or views, but that we should undertake to exchange them with increasing frequency. Ghazali agreed.

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**266. Telegram From the Department of State to the Consulate in Singapore<sup>1</sup>**

Washington, July 21, 1965, 9:02 p.m.

27. Ref: Your 10.<sup>2</sup> FYI Former UK Foreign Secretary Gordon Walker suggested to Secretary June 29 US seek to build up Lee and arrange unofficial invitation for him to visit US.<sup>3</sup> On July 9 UK Ambassador told Secretary Gordon Walker’s comments not official position HMG. Secretary said US did not share Gordon Walker’s view and would not follow up on his suggestion. End FYI.

As Embassy and ConGen reporting have been abundantly clear, Lee engaged in major political offensive against Alliance and visit to US certain to accentuate his controversy. Invitation to visit US would

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 7 MALAYSIA. Confidential. Drafted by Moscotti; cleared by Cuthell and in substance by Officer in Charge of U.K. Affairs Thomas M. Judd and by S; and approved by William Bundy. Repeated to Kuala Lumpur and London.

<sup>2</sup> In telegram 10 from Singapore, the Consulate reported that Lee Kuan Yew would soon approach the U.S. Government about a private or official trip to the United States. The Consulate considered that the exposure of Lee to U.S. officials and the United States would outweigh the disadvantage of the irritation his trip would cause to the Alliance leaders in Malaysia. (Ibid.)

<sup>3</sup> In a June 29 conversation. (Ibid., POL 1 MALAYSIA)

also be regarded as US interference in Malaysian internal politics, especially if USG host, and only strengthen conviction GOM leaders that USG pro Lee.<sup>4</sup> Lee's objective in any trip to US likely to be less to learn about US and its policies than to campaign intensively to win support of US leaders, press, public for himself and his views along lines recent visits to UK, Australia and NZ. Publicity and attention Lee would have to receive to achieve objectives reftel would, we fear, create more than irritation among Alliance leaders judging from reaction to Lee's trip to Australia and major significance GOM attaches any US actions affecting Malaysia. Official invitation to Lee, coming on top of present controversies over Indocom, textiles and other economic issues likely damage US-GOM relations without compensatory benefit.

You should do nothing to encourage Lee to consider visit to US at this time. If Lee decides to come, we will, of course, try influence Lee's views re US and US policies and provide appropriate program while seeking minimize USG involvement Malaysia's internal controversies.

**Rusk**

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<sup>4</sup> In telegram 69 from Kuala Lumpur, the Embassy suggested that if Lee asked to visit the United States, which the Embassy thought unlikely, he should be invited. Lee was a "powerful figure and likely to become more so." While the more chauvinist elements in Malaysia would be irritated by a visit, the Embassy thought that moderate leaders, who did not believe the United States was pro-Lee, would understand. (Ibid., POL 7 MALAYSIA)



**267. Telegram From the Embassy in Malaysia to the Department of State<sup>1</sup>**

Kuala Lumpur, August 9, 1965, 0302Z.

146. Exdis for Secretary from Ambassador. Ref: Deptel 109.<sup>2</sup> Information reftel correct. Will be announced in Parliament this morning that Singapore to be completely independent. Bill to this effect to be introduced this morning. Calls for separation as of August 9.<sup>3</sup>

Lord Head British High Commissioner learned of this inadvertently last night. He saw Tunku, Razak, Ismail and Tan Siew Sin at social event. Asked for 24 hour postponement. Met with completely adamant attitude. Head said decision taken only by small number Cabinet Ministers. Most Ministers not informed.

Early this morning Head gave GOM leaders message from Harold Wilson asking 24 hour postponement. Again refused.

At 0900 Tunku met with party leaders. Announcement expected at morning session of Parliament which opens 1000. Reftel received 0830. Impossible get in touch with GOM leaders as they going to party meeting and then directly to Parliament.

Head has reported to London that he informed (although inadvertently) but not consulted on move.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 15 MALAYSIA. Secret; Flash. Passed to the White House, DOD, and CIA.

<sup>2</sup> In telegram 109 to Kuala Lumpur, August 8, also sent Flash, Rusk informed Bell that he had just been told by the British Ambassador that Singapore was withdrawing from the Federation of Malaysia and would become independent. Rusk asked for confirmation and instructed Bell to try to counsel the Malaysian Government to postpone making the announcement. (Ibid.)

<sup>3</sup> On August 9 Singapore proclaimed itself an independent and sovereign state based on an agreement signed on August 7 between the Governments of Malaysia and Singapore. Telegram 66 to Singapore, August 19, transmitted the text of the official U.S. note recognizing the independent state of Singapore, with instructions to the Embassy to give the note to the Foreign Minister of Singapore. In telegram 130 to Kuala Lumpur, August 12, the Department told the Embassy that the Prime Minister of Malaysia informed President Johnson on August 11 that he was unable to forewarn him of the move because, "had my intentions been made known there would be trouble within the country." (Both *ibid.*, POL 16 MALAYSIA)

In view Head's plea last night and rejection Wilson's request and fact separation will be fait accompli in about one hour I believe we should not comment at this time.<sup>4</sup>

Comment follows after Parliament meeting.

**Bell**

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<sup>4</sup> In an August 16 memorandum to McGeorge Bundy entitled "The Week in Asia," Thomson, Ropa, and Cooper reported that they "continue to share State's relatively sanguine view of the Singapore-Malaysia divorce. The previous arrangement had become intolerable; Lee Kuan Yew is one of the ablest leaders in Asia, no fool on the subject of Communism or Indonesia." The three NSC staffers suggested that U.S. newspaper accounts of the event "seem inordinately and prematurely alarmist." They then stated that what was needed was "a top notch ambassador" and suggested John L. Emerson or Henry Byroade, neither of whom ultimately got the job. (Johnson Library, National Security File, Name File, Cooper Memos)

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## 268. Telegram From the Embassy in Malaysia to the Department of State<sup>1</sup>

Kuala Lumpur, August 24, 1965, 0355Z.

232. Embtel 220.<sup>2</sup>

1. Post mortem separation Singapore from Malaysia still in progress but attention gradually being shifted problem of accommodation new situation. Clear that virtually nobody pleased with event with likely exception Communist-infiltrated socialist front and possible exception far right Malay chauvinist PMIP. However, general acceptance action fait accompli. Separation not worked out in detail and confusion still reigns.

2. Tunku's position: Now seems clear separation rammed through Parliament at insistence of Tunku who told alliance MP's in meeting preceding Parliament opening that he would not discuss matter and

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 16 SINGAPORE. Secret. Repeated to Canberra, Wellington, Djakarta, Kuching, Hong Kong, London, Singapore, and CINCPAC for POLAD.

<sup>2</sup> In telegram 220 from Kuala Lumpur, August 21, the Embassy submitted "thoughts" for use in potential discussions with the British about the separation of Singapore and Malaysia. According to the Embassy, while the separation was a "setback for US-UK interests," it was a "cause for disappointment not despair." (Ibid., POL MALAYSIA-SINGAPORE)

would resign govt if he did not receive two-thirds vote necessary to carry constitutional amendment legalizing separation. This action seriously weakened if not destroyed Tunku's image as father figure above faction and unifier of nation. At same time it demonstrated his power supreme in alliance and although by own admission he was too weak prevent likely racial clash resulting from pressure from UMNO extremists reacting violently to PAP agitation, he still in charge if not free agent. Only alliance member with courage defy Tunku was UMNO Secy Gen Ja'afar Albar who forced to resign as result. Much of senior civil service disgruntled over separation to point of openly making bitter and indiscreet remarks.

3. Concern to rebuild Tunku image as leader of all nation of great importance not only to alliance but also to at least some portions of opposition. Lim Cheong Eu, head of opposition UDP, in talks with EmbOff seemed more concerned this necessity than anything else.

4. Malay extremists in UMNO bitter over separation and younger members would probably be willing to leave party if Albar would lead revolt. Albar told EmbOff Tunku leader of Malaysia and that he had written all UMNO branches urging them support Tunku. He also said unity UMNO essential to survival of nation and he would not be man to destroy country, even though he had power to do so. Albar ambitious and probably unscrupulous. We are skeptical these assurances of devotion. At moment it appears he not prepared try to take on present leadership UMNO in open fight but will probably continue attempt improve his position through behind scenes manipulations.

5. There are more difficulties in MCA. MCA youth, already worked up over issue of Chinese as official language, reliably reported to be enraged at party leadership for agreeing to ejection by Malay leaders of one and half million Chinese from country to detriment of future bargaining power of Chinese vis-à-vis Malays. Series of meetings top MCA leadership have considered this problem. Tan Siew Sin explaining separation to youth group August 15 took line separation tragedy that could not be avoided, put blame on Lee, insisted Singapore had fully agreed to break and pleaded for support of rank and file. [*less than 1 line of source text not declassified*] has reported Tan has succeeded in putting down incipient rebellion in MCA.

6. PAP-alliance relations: PAP has made it clear it will continue drive for power on mainland using Malaysian Malaysia slogan as before. Devan Nair, only PAP MP with mainland constituency, taking over leadership peninsular PAP. Malaysian Solidarity Convention, basically PAP creation, at meeting Penang Aug 15–17, inter alia resolved to work for reunification Singapore Malaysia.

7. Capacity of PAP build influence on peninsula probably somewhat lessened as result break, assuming Lee Kuan Yew honors pledge

not interfere in internal affairs Malaysia to extent of refraining from public polemics. Extremely doubtful Nair free agent but even with Singapore PAP planning strategy, loss of dramatic figure of Lee Kuan Yew will probably reduce appeal of PAP to non-Malays on peninsula. Nair intelligent and articulate but not in class with Lee as public figure. Attempts by him to build power base on labor movements, as PAP did in Singapore, likely to fail in face opposition of peninsula union leaders who have no love for Nair nor NTUC. As Indian, Nair will be handicapped in appeal to Chinese who must form bulk of any successful opposition party. Partners in MSC have own fiefs and interests and will not give disinterested loyalty to PAP. Lim Cheon Eu appears to have more regard for Tunku than for Lee. Seenivasagam brothers (PPP) have own machine and have already diverged from PAP line on issues appealing to Chinese chauvinism. Despite these considerations, possible absence Lee's charisma etc., PAP likely to benefit from belief of part of MCA membership and others that separation victory for ultras who constantly strengthening position in alliance. Chinese whose support MCA lukewarm may seek new outlet and PAP Malaya likely pick up some strength this quarter.

8. Economic development: In theory loss of Singapore funds and expertise serious setback to development program Borneo. In fact effect may be minor. Singapore commitment to M150 million loan conditional on acceptance Singapore labor in Borneo. In fact no funds forthcoming past two years and no indication they would have been made available foreseeable future. Colombo Plan adviser GOM Ministry of National Development told EmbOff Singapore had given no cooperation in development and would not even inform GOM of what they doing in Singapore. Source probably biased but nevertheless true that there was little or no cooperation between two govts on development.

9. Trade relations: Despite animosity generated by GOS imposition tariffs and quotas on Malaysian manufactured goods which in first instance amounted to embargo while issuance of licenses awaited, both sides appear recognize they need each other economically. "Common market" still possibility. Economic interdependence will be strong inducement bring about necessary economic cooperation. Local businessmen feel that if politicians let them alone they can work out satisfactory trade relations, and with exception of manufacturers directly affected by quota measures businessmen more optimistic than after first shock.

**Bell**

**269. Memorandum From Peter Jessup of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)**

Washington, September 2, 1965.

[Source: National Security Council, Special Group/303 Committee Files, Subject Files, Singapore. Secret. 1 page of source text not declassified.]

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**270. National Intelligence Estimate<sup>1</sup>**

NIE 54/59–65

Washington, December 16, 1965.

**PROSPECTS FOR MALAYSIA AND SINGAPORE**

**Conclusions**

A. With the separation of Singapore and Malaysia, the political arrangements between them and with the UK have become much more fluid and the entire area is more unstable now than at any time in the past decade. Singapore is more exposed than before; Malaysia is less certain of the loyalty of its Borneo components; and the UK is less convinced of the value of retaining its military commitment in both Singapore and Malaysia. Internally, the communal rivalries which the Malaysian federation was designed to lessen continue unabated and offer encouragement to disruptive forces from both Communist China and Indonesia. (Para. 29)

B. Over the next two years, Singapore's withdrawal from the Malaysian federation is unlikely to alter the basic political power structure

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<sup>1</sup> Source: Department of State, INR/EAP Files: Lot 90 D 165, NIE 54/59–65. Secret. This estimate was prepared by the Central Intelligence Agency and the intelligence organizations of the Departments of State and Defense, and the NSA. All members of the U.S. Intelligence Board concurred with its submission on December 16 with the exception of the representatives of the AEC and FBI who abstained on the grounds that the subject was outside their jurisdiction. A 2-page map of Malaysia and Singapore is not reproduced. In a December 15 memorandum to Hughes, Director of Research for the Far East Allen S. Whiting wrote that this NIE was requested by the White House and that, "we are not enthusiastic about this estimate, largely because the predominance of emotional factors in the decision making process in this area makes predictions difficult and uncertain." Nevertheless, Whiting recommended that the estimate be approved. (Ibid.)

within Singapore or Malaysia. Although periodic flareups with the central government in Kuala Lumpur are likely, Sabah and Sarawak will probably remain within Malaysia but will demand gradually increasing autonomy. (Paras. 4-8, 14-19)

C. Political relations between the two countries will be clouded by strong antagonism between their leaders and by mutual suspicions between Malays and ethnic Chinese. These circumstances, as much as practical considerations of national self-interest, will determine the degree of cooperation in economic as well as political affairs. The Malaysian economy is likely to be adversely affected by the loss of Singapore revenues, and Singapore faces a problem of finding new markets. (Paras. 9-19)

D. Both Malaysia and Singapore are headed toward a nonalignment which would include increased trade with Communist countries and a more active role among the Afro-Asians. Singapore, particularly, is likely to remain critical of US foreign policy. (Paras. 25-28)

E. Recent events in Indonesia offer little prospect of early settlement of Confrontation, though military activity is likely to remain at about its current low level. The British would like to reduce their military investment, but will probably continue a substantial commitment in the area for at least the next two or three years. (Paras. 20-24)

## Discussion

### *I. The Separation*

1. On 9 August 1965, under pressure from the Malaysian Government, Singapore announced its separation from the two-year-old federation.<sup>2</sup> The union foundered primarily because of a political power struggle, rooted in racial antagonisms, between Malays in Malaya who were determined to preserve their domination of the central government, and ethnic Chinese of Singapore who sought to extend their influence into the Malayan peninsula. Their Prime Ministers—Malaysia's Tunku Abdul Rahman and Singapore's Lee Kuan Yew—could not resolve their fundamentally differing views on exactly what Malaysia should become. Singapore's People's Action Party (PAP) under Lee sought a noncommunal nation, arguing that the constitutional privileges of the Malays should be progressively curtailed. Kuala Lumpur's leadership advocated a much more gradual change, maintaining that the Malays must be protected and assisted until they were able

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<sup>2</sup> Malaysia came into being on 16 September 1963 and consisted of the former Federation of Malaya, the semiautonomous state of Singapore, and two of the three former British dependencies of northern Borneo—the crown colonies of Sabah and Sarawak. The third of the northern Borneo dependencies, the protectorate of Brunei, chose not to join the new federation. [Footnote in the source text.]

to hold their own in competition with the Chinese. Bringing the subject of Malay privilege into question at all, especially in public, aroused most Malay leaders.

2. Superimposed on this chronic racial problem were personal and economic frictions which forced the issue. There exist strong personal animosities between the Tunku and Lee, and Lee's personal ambitions clashed sharply with those of a number of other central government leaders, including conservative Chinese as well as nationalist Malays. Mutual suspicions exacerbated disagreements between the two governments concerning issues of finance, trade, and industrial development.

3. The terms of the separation agreement are vague and only a few technical questions are resolved. For the most part, the agreement merely states good intentions, e.g., there is a broad promise of economic cooperation. The most important provisions are: (a) all treaties, agreements, and conventions between Malaysia and other countries that pertain to Singapore remain in effect; (b) each country agrees not to enter into treaties with foreign countries that would be detrimental to the independence and defense of the other; (c) the UK and Malaysia will continue to maintain bases and military facilities in Singapore. Thus, because a great deal of interdependence is to continue, much depends on the good will and common sense of the two governments.

## *II. Immediate Impact*

4. The separation of Singapore did not end the contest for power between Kuala Lumpur and Singapore. At least temporarily, it reduced the ability of the principal political parties in each country to encroach upon the political arena of the other. But public acrimony between Lee and the Tunku, which was renewed in mid-September, and Lee's plan to resume limited barter trade with Indonesia in the face of very strong opposition from Malaysia have raised tensions once more.

5. Despite the unexpected shock of separation, there was no disorder in either Singapore or Malaysia. The Singapore Government acted promptly to take over responsibilities formerly handled by the federal government, and quickly demonstrated that, at least for the present, its own police could cope with local problems of law and order. In fact, communal tensions were actually eased. Singapore's Malay population, only 14 percent of the total, was somewhat deflated and a few felt deserted by Kuala Lumpur, but there was no exodus from the island. The local Chinese business community was gratified by the prospect of an end to federal taxes and of reopening profitable commercial relations with Indonesia.

6. We see no immediate political threat to the governing People's Action Party either from internal dissension or from the opposition. There may be some shifts in the cabinet and changes in the PAP's

central executive committee. It is even possible that Lee might resign or be forced out by his colleagues. Nevertheless, in our view, such changes would not seriously weaken the basic solidarity within the PAP. Singapore's present stability in part reflects leftist weakness following a steady government effort during the last two years to reduce Communist influence in the labor movement, student organizations, and the Barisan Sosialis Party (BSP). The PAP's extensive experience in handling the Communist threat in Singapore and the demonstrated effectiveness of the government's internal security apparatus are almost certainly sufficient to handle any threat to public order likely to occur in the short term.

7. Malaysian political stability also appears little affected by the break. Prime Minister Abdul Rahman's Alliance party,<sup>3</sup> which has governed in Kuala Lumpur for nearly a decade, is not seriously challenged at present, although some of its Malay and Chinese elements criticized the separation of Singapore. Several opposition parties have joined the Malaysian Solidarity Conference, set up earlier this year as a coalition to oppose the Alliance and to work for a noncommunal Malaysia. Since the separation, they have attempted to embarrass the Kuala Lumpur government by asserting that it is suppressing opposition and stifling the voices of non-Malays. But this charge implies a degree of democracy which in fact has never existed in Malaya and is made by inherently weak political parties that have always operated near the edge of suppression. Moreover, Kuala Lumpur inherited from the British a colonial tradition of stern treatment for acts of sedition and a highly developed internal security system which serves to inhibit political opposition.

8. Political leaders in both Sabah and Sarawak were angered that the Kuala Lumpur government failed to consult with them before engineering the separation of Singapore. For a week or so, there were demands for plebiscites to determine the future status of these states, and considerable uncertainty whether one or both would opt to follow Singapore's example. However, their total inability to defend themselves and Sarawak's poor economic position forced most leaders of the two states to realize that, at least for the time being, they would be wiser to remain in Malaysia.

### *III. Problems and Prospects*

#### *A. Economic*

9. Separation has so far caused virtually no disruption to either economy because only loose economic ties had been created in the

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<sup>3</sup> A conservative coalition of Malay, Chinese, and Indian parties. [Footnote in the source text.]



federation. Some harmonization of taxes took place but, outside the field of finance, there was very little cooperation or coordination on economic policies during the two-year life of the union. In particular, a common market—which had been a precondition of Singapore's entry into Malaysia—was not created, and no effective steps had been taken to coordinate industrial policy or economic planning. In fact, additional barriers to internal trade in manufactured goods were erected during 1964–1965 to protect local manufacturing interests.

10. *Singapore*. Entrepot trade and manufacturing are the bases of Singapore's economy, with the British military establishment fulfilling important economic functions as both employer and consumer.<sup>4</sup> Increased economic growth is necessary to maintain employment and to finance the welfare measures that provide the basis of the PAP's popular support. Although Singapore has been relatively successful in stimulating the growth of domestic industry, a market larger than Singapore's population of under two million must be found. There is little prospect for expanding entrepot trade; neighboring countries are increasingly establishing direct trade links for their primary products and are developing their own industries to replace imports. Singapore could develop along the lines of Hong Kong—once primarily an entrepot, now a manufacturing center—but Singapore's pattern of labor-intensive industrialization, which has been directed at local, Malaysian, and Indonesian markets, would have to be redirected toward world markets. In some degree Singapore will compete with Hong Kong, but lacks its advantages as an established world supplier and as a financial and trading conduit for Communist China.

11. *Malaysia*. The federal government in Kuala Lumpur has lost a potentially important source of revenue. During 1964, Singapore made a net contribution to the federal government of about \$13 million, and was expected to contribute a larger amount in 1965. While there is no question of Malaysia's economic viability over the next several years, the country's ambitious economic development plans will almost certainly have to be revised downward. Already defense appropriations incurred because of Indonesia's Confrontation campaign have forced some reductions in expenditures for public development. Malaysia's major economic weakness continues to be its heavy dependence on the export of a few basic commodities. The price of rubber has been declining for several years. The prospects for continuing high prices for Malaysia's exports of tin, iron ore, and timber are good, but the

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<sup>4</sup> Singapore's GNP currently stands at approximately US \$450 per capita, one of the highest in Asia. Entrepot trade and related activities account for 20–30 percent of GNP, industrial production for about 14 percent, and the British military establishment for 20–25 percent. [Footnote in the source text.]

maintenance of current levels of production will require substantial new exploration and investment.

12. *Prospects.* Both countries have achieved considerable economic growth, but further growth will require increased capital investment, domestic and foreign. Economic assistance for development will almost certainly continue to be provided by international organizations (e.g., IBRD), but foreign investors will be reluctant to risk their capital until the political situation is clarified. Competition between Malaysia and Singapore for foreign investment capital will almost certainly intensify. Malaysia's need for Singapore's port facilities and Singapore's need for Malaysia's markets are factors favoring some degree of economic cooperation. However, we believe that for the next year or two, the degree of economic cooperation between Singapore and Malaysia will be determined for the most part by their political relations. The major threats to this cooperation lie in the personal antagonisms between their top leaders and the PAP's intention to continue its political activity in Malaysia. Probably the easiest and most effective way for Malaysia to retaliate against Singapore would be to apply economic sanctions.

13. The Singapore Government and local merchants will try to expand their exports to as many markets as possible. The merchants of Singapore regard Communist China and Indonesia as offering important opportunities. In fact, however, the possibilities for a significant increase of exports to China in the short run are limited and, though barter trade with Indonesia will probably be resumed, it is unlikely that it will approach pre-Confrontation levels of trade.

#### *B. Political*

14. Relations between the present governments of Singapore and Malaysia are unlikely to improve in the next two or three years. We foresee periods of high tension with acrimonious exchanges, though neither side is likely deliberately to foment disorder in the other's territory. As long as the present leaders remain, we see no abatement of personality clashes. The Tunku seems intent on trying to isolate Lee from his colleagues, while Lee is convinced that moderate forces in Kuala Lumpur are already in disarray and that Malaysia is seeking to strangle Singapore economically. He further fears that an end to Confrontation might lead to a British military withdrawal from the area. In Lee's view, this would remove the major moderating influence on the Malaysian government and raise the spectre of resurgent anti-Chinese, pan-Malay sentiment in both Malaysia and Indonesia.

15. *Singapore.* Lee and the PAP are unlikely to change their non-Communist orientation. There is no non-Communist alternative to the PAP in Singapore now and none is likely to develop in the next two or three years. The pro-Communist BSP is the only other large, well

organized, and well financed party, and would profit if Lee finds it impossible to meet the basic economic and political needs of the Singapore people. Lee's heavy reliance on the British bases poses a serious dilemma for him: it exposes him to criticism among Afro-Asian countries as a colonialist stooge, yet the bases are essential to Singapore's defense and make a vital contribution to its economy. Although an occasional demonstration against the bases cannot be ruled out, the BSP and the leftist unions will probably not choose to press the issue because of popular recognition that the bases are important to the working people of Singapore.

16. *Malaysia.* The ruling Alliance party is not seriously challenged by any political opponent; its principal problem lies in the growing divisions within its own ranks. Since separation, the Tunku has castigated some of the more extreme Malay leaders for exploiting racial issues and has curtailed their power. However, many remain in positions of influence. Over the past two years, younger Malay and Chinese elements in the Alliance have gradually increased their political power and begun to challenge the older, conservative leadership more openly.

17. This challenge is not yet such as to threaten the Tunku's position should he choose to retain power. We believe that the jockeying and maneuvering in the Alliance will continue and that, as a consequence, the Tunku is likely to resign within the next year or so, probably on grounds of ill health. If he leaves the political scene, there appears to be no one else with the necessary stature to cope with the communal issue. His heir-apparent, Deputy Prime Minister Razak, in attempting to consolidate his political and governmental power, would probably cater to pan-Malay and extremist views. In any event, during a period of political transition in Kuala Lumpur, compromise and cooperation with Singapore would be even less likely.

18. In Sarawak and Sabah, local leaders believe that Singapore's separation has strengthened their positions vis-à-vis the central government, and indeed, top Malaysian officials have felt obliged to give them renewed assurances on defense and developmental aid. Attitudes toward Kuala Lumpur will also be affected by the complex political maneuverings within Sarawak and Sabah, where the strength of parties sympathetic to the Alliance is not so overwhelming as in Malaya itself. In Sabah, an important element of the Alliance periodically comes close to the point of breaking away to form an opposition party. In Sarawak, the moderate Chinese left is strongly sympathetic to the PAP and has many close ties with Singapore. In addition, Sarawak has a strong Chinese pro-Communist dissident movement with the potential to challenge government control over large areas should the Commonwealth withdraw its troops.

19. The future of the Borneo states in Malaysia is highly uncertain. There will probably be periodic flareups of irritation at the Kuala Lumpur government over what Borneo leaders consider its highhanded manner and discrimination against non-Muslims. There is always the possibility that Sarawak or Sabah might decide to withdraw from Malaysia and seek either independence or some type of union with Singapore or neighboring Brunei. On balance, however, we believe that both states will remain within Malaysia, at least for the next year or two, but will demand greater autonomy.

### *C. Foreign Policy*

20. *Confrontation.* The recent dramatic events in Indonesia—the attempted coup of 30 September and its aftermath—will almost certainly not result in an early settlement of Djakarta's campaign against Malaysia. The anti-Communist military leaders now vying with Sukarno for control of Indonesia are highly nationalistic and interested in expanding Indonesian hegemony. Nevertheless, they are less personally committed to Confrontation than Sukarno and, at least temporarily, much more concerned with ensuring the internal political and economic health of Indonesia than with foreign adventures. Under these conditions, it is unlikely that Indonesia will raise the level of military activity beyond present small unit actions in Borneo and occasional subversive missions in Malaya itself. Such action would enable the Indonesian military to maintain its nationalistic, anti-imperialistic posture before the Indonesian public.

21. The mere possibility of an end to Confrontation disturbs Lee and other PAP officials. They are concerned that, in the long run, the Malay fear of the Chinese in Malaysia and Singapore will draw Malaysia and Indonesia closer together. They believe that the Malay leaders of Kuala Lumpur are less apprehensive of eventual domination by Indonesia than of political submersion by the Chinese.

22. *The British Presence.* The British consider that the separation of Singapore from Malaysia presented them with a variety of problems: a possible threat to the retention of their military facilities in the area; the possible political unreliability of a neutralist-leaning Singapore; and the economic and political weaknesses of Sarawak and Sabah. Separation also intensified Britain's reexamination of its entire military position in Southeast Asia, an important element in the UK Defense Review already underway. Since Confrontation started, the UK has increased its forces in the area from about 42,000 to approximately 56,000. Britain's military outlays in Malaysia and Singapore (including the Far East Fleet) are now running at an estimated \$900 million a year and constitute by far the largest portion of the UK's East-of-Suez defense budget.

23. The British must be looking hopefully toward the possibility of a negotiated settlement of Confrontation as an opportunity to reduce their overseas commitments. London also feels that Australia and New Zealand could make a greater contribution to the defense of the area. We believe, however, that for many years to come, Australia and New Zealand will be unable to bear more than a fraction of the military burden in this area and that meanwhile, Malaysia and Singapore will remain almost completely dependent on British military support. The British will probably continue their military commitment in this area for at least the next two or three years.

24. The armed forces of Malaysia are probably capable of maintaining internal security within Malaya but not in the Borneo states, and lack the strength necessary to counter significant external aggression. As long as the Commonwealth military presence remains, Malaysia is unlikely significantly to increase its forces much beyond the moderate expansion of the air force and navy already scheduled. It may, however, activate a fourth army brigade to replace the Singapore brigade presently attached to the Malaysian Army in Sarawak. The Singapore Government will probably bring this latter brigade home and make additional modest increases in its ground forces. Singapore may also develop a small naval force for policing its territorial waters.

25. *The Communist Powers.* So far, neither Communist China nor the USSR has made any political capital out of Singapore's separation from Malaysia. Neither country had established diplomatic relations with Malaysia; neither has yet recognized Singapore. Both will regard their relations with Indonesia as more important than their relations with either Malaysia or Singapore. Communist China probably does not as yet see much opportunity for a new approach to Malaysia and, accordingly, is likely to give more attention to Singapore. Peking might offer economic assistance and diplomatic recognition to Singapore, hoping to persuade Lee to adopt a more friendly attitude and to work toward the elimination of British bases. Publicly the Soviet Union interpreted Singapore's secession as a death-blow to Malaysia and a triumph for Indonesia against British imperialism. Moscow may have doubts concerning Singapore's viability as an independent state, but will probably seek to establish friendly relations with it in order to counteract Chinese influence in Southeast Asia.

26. For their part, Malaysia and Singapore have taken the initiative of indicating to the Soviet Union and Yugoslavia that they would welcome trade missions and news agency representatives in their respective countries. Diplomatic relations are likely to be established in due course. Malaysia is determined to have no relations with Communist China at present; it has consular relations with the Republic of China and appears to be moving gradually towards a closer relation-

ship. The present Singapore Government greatly fears the possibility of Chinese Communist influence on its large Chinese population, but is aware of the desires of its Chinese business community to expand exports to the Chinese mainland whenever possible. It will, therefore, move cautiously in the direction of some formal relationship with Communist China. It will welcome a Soviet presence, hoping that this would offset Communist China's influence and split the loyalties of local Communists and leftwing groups.

27. *Implications for the US.* Both Malaysia and Singapore have become increasingly sensitive in their relations with the US and publicly more critical of US foreign policy: Malaysia has criticized the US for its assistance to Indonesia; Singapore resents what it regards as a demonstrated US preference for Malaysia. Both feel that, because they are non-Communist states, they deserve greater US assistance than they have received. In general, both countries are headed in the same direction with regard to their foreign policies: toward closer relations with nonaligned and Communist countries. However, Malaysia will almost certainly continue to give diplomatic support to US military initiatives in Southeast Asia, if only to ensure US military assistance for itself in a time of real need.

28. Singapore's recent relations with the US have been affected to a very high degree by Lee's personal and highly emotional antipathy to the US. Lee appears convinced that the US distrusts all Chinese and is hostile to nonaligned countries. He apparently believes that, in any showdown between Singapore and Kuala Lumpur, the US (unlike the UK) would side with the latter. Lee is determined that the British maintain their military presence in Singapore and is particularly concerned lest they be replaced by the US. In his view, this would provoke Communist China's antagonism and make Singapore a pawn in the power struggle in the Far East. Because of Lee's emotionalism and the desire of Singapore's leaders to be accepted among nonaligned nations, we foresee a period of strained Singapore-US relations and expect periodic public outbursts of anti-Americanism from Lee.

29. As a consequence of the increased fluidity of the political arrangements between Singapore, Malaysia, and the UK, the entire area is more unstable now than at any time in the past decade. Singapore is more exposed than before to the influence of Peking; Malaysia is less certain of the loyalty of its Borneo components; and the UK is less convinced of the value of retaining its military commitment in both Singapore and Malaysia. Internally, the communal rivalries which the Malaysian federation was designed to lessen continue unabated and offer encouragement to disruptive forces from both Communist China and Indonesia. Emotional factors, rather than considerations of national self-interest, are likely to play a crucial role in the decisions of leaders

of both Malaysia and Singapore. In these circumstances, the Singapore–Malaysia area is likely to pose greater problems for the US than ever before.

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**271. Telegram From the Department of State to the Embassy in Malaysia<sup>1</sup>**

Washington, January 29, 1966, 5:53 p.m.

599. For Ambassador from Bundy.

1. Without any reflection on Donald<sup>2</sup> who has done fine job under difficult circumstances, I am concerned about our lack of direct communication with Harry Lee. Given Lee's attitude toward United States, this breakdown in contact seems to me to be feeding on itself, accentuating Lee's isolation and producing inevitably further strains in our relations. I would like to break into this harmful cycle if we can.

2. Reestablishing contact is made difficult by Lee's belief that US strategic interest in Singapore places him in dominant position and that we can be brought to heel by hardnosed bargaining and threats of Barisan take-over. Our note suggesting raising of Consulate General to Embassy has gone unanswered since mid November.<sup>3</sup> Lee grossly overestimates strength of his bargaining position, and we are prepared to continue with Consulate General status indefinitely rather than accede to Rajaratnam's price of trade concessions for elevation to Embassy status. In seeking reestablished contact therefore, we clearly would wish to avoid encouraging Lee's current misconceptions on way to deal with United States. At same time there seems little chance we can place our relationship on more realistic basis until we can deal with him directly.

3. I would be most grateful for your suggestions, as senior US official closest to situation with personal experience in dealing with Lee, on tactics to handle this problem. Lee's public statements show a realistic appreciation that Singapore's viability and his personal politi-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL SINGAPORE–US. Confidential; Limdis; No Distribution Outside Dept. Drafted by Underhill, cleared by Cuthell and Berger, and approved by Bundy.

<sup>2</sup> Richard H. Donald, Acting Consul General in Singapore.

<sup>3</sup> The note was transmitted in telegram 419 to Singapore, November 17. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL SINGAPORE–US)

cal future (separate factors which he naturally considers as identical) depend on trade and economic development which in turn depends in considerable measure on beneficial economic relations with United States. Here obviously is logical basis for a continuing relationship. Lee's overtures through Australians (Waller–Berger memcon dated December 30, 1965)<sup>4</sup> are further concrete evidence Lee wishes to deal with us.

4. Perhaps best tactic would be to try to get from Lee a resolution of uncertainty surrounding our representation in Singapore. We would prefer raise Consulate General to Embassy, but if Lee wants to continue with Consulate General this would affect our choice of successor for Lacy. In any case we wish to assign senior rep USG with whom Lee could deal. Do you think it would be possible and desirable for you to have informal unpublicized meeting with Lee to convey this message? Would it be more effective to have it passed through UK, Australian and New Zealand channels? We would prefer to deal with him directly rather than through Commonwealth intermediary. Would appreciate your views.<sup>5</sup>

**Rusk**

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<sup>4</sup> Not found.

<sup>5</sup> Not further identified.

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**272. Information Memorandum From the Assistant Secretary of State for Far Eastern Affairs (Bundy) to Secretary of State Dean Rusk<sup>1</sup>**

Washington, March 14, 1966.

**SUBJECT**

From Lee Kuan Yew to Chiang Kai-shek: Far East—March 1966

Around our Chiefs of Mission Conference, I paid visits to Japan (briefly), Viet-Nam, Thailand, Singapore, Malaysia, the Philippines, and the Republic of China. This memorandum gives the highlights of my

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, ORG 3–2. Secret; Exdis. Drafted by Bundy. A note on the memorandum indicates that Rusk saw it.



observations, drawing briefly on some of the broader policy points already covered in the “highlights” summary of our Baguio meeting, but primarily on my own observations.

*1. General Observations.*

a. The atmosphere in the whole area is markedly healthier than last year. This derives primarily from Viet-Nam, with Indonesia a close second in importance. There is an almost universal belief that the US is standing firm for now, and this has been a great strengthener and comfort even to such figures as Lee Kuan Yew. Nonetheless, our Ambassadors stressed that there was still a recurrent fear that we might make some deal and, more basically, that we may not really stay the course. For the time being, this fear is at rest, and the bombing suspension and the Honolulu conference were in the main correctly interpreted. Nonetheless, it persists as a major factor to take into account on any actions we may consider that carry the implication of compromise or retreat. In Japan, where the problem is somewhat different and where Reischauer sees marked favorable trends both on Viet-Nam and on the issue of greater economic responsibility, the bombing suspension and the Honolulu conference had a strongly favorable effect.

b. Regional efforts in the area have gained immensely during the past year and need to be pushed further wherever possible. The Asian Development Bank and plans for Southeast Asia have had great impact, and the reopened possibility of ASA (initially Thailand, Malaysia, and the Philippines), plus such efforts as the Korean Foreign Ministers Conference, are all moving in the right direction of, a phrase of Marshall Green's, “putting a rim on the wheel” whose spokes ran only to Washington in the past.

c. The heightened tension over Viet-Nam, plus the specific contributions of individual countries, have imposed strains that must be met usually by US contributions. We need added effort, for different reasons, in several countries, and we simply must not let Viet-Nam beggar its neighbors.

d. Our overwhelming focus on Viet-Nam has diverted our own policy emphasis slightly from many specific problems now assuming major proportions:

—Bringing Japan to a greater role of responsibility, in what Reischauer describes as a race between such a role and the emergence of a new selfish nationalism;

—Meeting the serious strains in Korea, arising from their force contributions and continuing fears and internal problems;

—Tension and a tendency to jitters in the Republic of China, especially with the dark cloud of Chinese representation;

—Our relationship to the Philippines in a new situation of movement there;

—The needs of Thailand, especially as it becomes a major base area for us;

—Whether we should assume a significantly increased role in the Malaysian economic picture and whether we may become involved to some degree, willy-nilly, in the Malaysia/Singapore problem.

[Here follow sections 2 on Vietnam and 3 on Thailand.]

#### 4. *Singapore.*

a. *Lee.* My talk certainly found him more mellow, and may have opened the way to a more serious and deep relationship than we have ever had. He committed himself to accept an Ambassador, but was evasive on timing. He wants a sophisticated and low-key man, and I think our choice meets this specification.

b. *Trade.* The need for more outlets is real. I tried to hammer home how little we could do in textiles, and to urge a diversified survey both by the USG and private consultants. The latter idea seemed to find some response, and we should be prepared to follow up. They are terribly naive on how to deal with the US market.

c. *Relations with Malaysia.* This remains obsessive, and is more than ever the focus of Lee's thoughts since his initial pushes to get the British to stay and to establish an Afro-Asian "position" have now been largely satisfied. The Tunku and Razak are anathema to Lee (and vice versa), so that I still find it hard to visualize a reconciliation for some time. Nonetheless, the economics alone clearly indicate that the two can neither live with each other nor without.

#### 5. *Malaysia.*

a. *British Role.* British influence has markedly declined, and I do not think this was Anthony Head's personality. Rather, it reflects a very deep-seated Malaysian feeling that they want a diversity of friends. We should avoid like the plague getting into any larger defense role, and I did not encounter any urging in Malaysia that we should, although Lee has the obsessive fear that the Malaysians now believe we will do this. But while the Malaysians may accept Commonwealth responsibility for their defense, they badly want other evident friends.

b. *Economic Needs.* We must abandon the stereotype of a rich and self-sufficient Malaysia. The Malaysian accounts have changed drastically in the last five years as a result of tin and rubber price changes. Hence, their coming five-year plan calls for more than \$300 million of outside credit over this period. This will go in detail to the World Bank Consortium meeting in May, and we already have detailed materials for study. Although I warned them categorically that we would not be ready to announce decisions in May, it is absolutely clear that we face a major decision that will become acute in May. They want us badly, and if their plan makes as much sense as it appeared to me to make,

I would favor a significant contribution. The question of Indonesian reaction has drastically changed from the past, and our participation would give a tremendous boost to the younger and more modern leaders who are evolving a new Malaysia. Needless to say, US stockpile policies that might depress the price of rubber could both cause a present outcry and drastically increased appeals for offsetting US assistance.

c. *Relations with Indonesia.* I found no easy optimism in Malaysia (or anywhere else) that Nasution and Suharto would for a long time call off confrontation or do more than ease the military pressure.

d. *Relations with Singapore.* This is as obsessive a subject as on the Singapore side, but with a clear and growing Malaysian sense that they hold bigger cards in any trade. (I sensed Lee knew this too.) In the difficult personal equations involved, I get the feeling that two Malaysians, Ismail (the number three) and Ghazali in the Foreign Office could do it. Unfortunately, neither has the political power to be given the chance. The Tunku and Razak do not trust Lee and talk a very different Malay language of personal trust and broad issues, as compared with Lee's personal, and perhaps Chinese, more aggressive and precise viewpoint. I see little we or anyone else can do about this, but if our role increases we could at least try to cushion the more outrageous misunderstandings and to bring some appreciation of the overriding common interest.

#### 6. *Philippines.*

a. *Marcos.* Much more hopeful and potentially decisive than his predecessor, but still only finding his feet. His political debts surround him, and he is far from having an administration "team". His diffident handling of the recognition of Malaysia reflects these factors, as does his failure to take hold of the economic problem as yet.

b. *Forces for Viet-Nam.* Marcos should get a decisive Senate majority, but at substantial political cost. His Senate problem is enormous. This, plus the over-all uncertain political situation, is the underlying reason for his request for additional MAP. To my mind, \$4–6 million a year to make his army a real engineer and civic action outfit, with significant political bonuses, is a highly worthwhile investment in every respect.

c. *Economic Issues.* The investment climate is not good, and on the Philippine side there is growing uncertainty as to American agricultural markets. Both problems go together, and we should be working in the next few months to lay out the broad lines on which the Laurel–Langley Agreement will eventually be revised. I doubt if we need to think of any significant additional economic aid. Trade and investment are the keys, and the time has come to start moving.

[Here follows section 7 on the Republic of China.]

**273. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, October 4, 1966, 8 p.m.

**SUBJECT**

Talk With Malaysian Deputy Prime Minister Razak

Your talk with Malaysian Deputy Prime Minister Tun Abdul Razak is scheduled for 12:30 p.m. tomorrow, Wednesday, October 5. He is the head of Malaysia's delegation to the UN. He is also the heir apparent to Prime Minister Tunku Abdul Rahman.

You may wish:

1. To express appreciation for Malaysia's understanding and support of our position in Viet Nam. (*Note:* Because of their preoccupation with Indonesia, the Malaysians have made only a small contribution themselves—mainly medicine, flood relief, some training for Americans and Vietnamese in jungle fighting);

2. Indicate our belief that an Asian initiative on Viet Nam is basically sound and that Malaysia's support for Thanat's peace proposal has added to its acceptability.

You are aware that Razak was quoted as saying that Malaysia would send troops to Viet Nam if asked. He claims he was misquoted and said only that he supported the general proposition of foreign assistance.

Razak may raise the following:

**1. Military Assistance**

He will come to the White House directly from a talk with Secretary McNamara.<sup>2</sup>

The British are cutting back in their support, and recently turned down a Malaysian request for \$110 million of military aid. In 1965 we gave them a \$4 million credit on easy terms for military purchases.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Memos, 1965–1968. Secret. Johnson met with Razak from 12:58 to 1:05 p.m. on October 5. The President's Daily Diary is ambiguous, but apparently the President and the Deputy Prime Minister met alone and were then joined by William Bundy, Ambassador Tun Sri Ong Yok Lin of Malaysia, and Henry Heymann, Officer in Charge of Malaysian Affairs, at the end of the meeting. (*Ibid.*) No other record of the meeting has been found. The Department of State briefing paper and talking points for the President are in a memorandum from Read to Rostow, October 4. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 7 MALAYSIA)

<sup>2</sup> McNamara met Razak from 11:30 a.m. to 12:10 p.m. on October 5 at the Pentagon. They discussed Asian regional organization, Vietnam, possible helicopter sales to Malaysia, Indonesia, the cultural revolution in China, the future British and Australian role in Malaysia and Singapore, and the future of Southeast Asia. (Washington National Records Center, RG 330, OSD Files: FRC 70 A 4443, Malaysia, 1966 (Malaysia 091.112))

Encouraged by that, they may now look to us to fill the hole left by the British.

You might state:

You realize that he has talked with Secretary McNamara and suggest that he follow up on this with Defense and State. Note our heavy commitments, especially Viet Nam. You could point to the intent of Congress to limit MAP recipients to 40; new additions would be difficult. We hope the British will continue as a military supplier and will encourage them in this.

2. Economic development.

Malaysia launched this year a soundly conceived 5-year development plan. To meet goals, Malaysia will need \$630 million in foreign grants and loans. He may ask if we can do more to help.

You might state:

The U.S. joined with 12 other nations last May to discuss aid to Malaysia. We have offered help through the Ex-Im Bank. Future regional development programs will benefit Malaysia. We have continuing programs under Food for Peace and the Peace Corps. If Malaysia takes full advantage of our offers, total aid over the next 5 years could reach \$100 million. We will follow Malaysian economic developments with interest and will be alert for any useful contribution we can make.

3. Rubber.

World price has been declining steadily. Last month it was the lowest in 12 years. Malaysia is deeply concerned; government revenues come mainly from taxes on tin and rubber. They believe sale of our stockpiled rubber is pushing the price down.

You might state:

We are aware of the problem and are concerned for Malaysia's difficulties. The Department of State and others have the matter under urgent study, and we shall be in touch with the Malaysian government. There are serious budgetary reasons for our disposal policy.

The Deputy Prime Minister will be accompanied by Malaysian Ambassador Ong. Bill Bundy and I will be standing by. I suggest you see Deputy Prime Minister Razak alone at first, then call the rest of us in as you see fit. The Ambassador would consider it an honor to be able to meet with you.

A brief biographic sketch is attached.<sup>3</sup>

**William Jordan<sup>4</sup>**

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<sup>3</sup> Undated; not attached but a copy is in the Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 14, Oct. 1–31, 1966.

<sup>4</sup> Jordan signed for Rostow above Rostow's typed signature.

**274. Memorandum From Secretary of State Rusk to President Johnson<sup>1</sup>**

Washington, October 15, 1966.

**SUBJECT**

Your Visit to Malaysia

Although Malaysia does not contribute to the collective defense of South Viet-Nam, and will not have been represented at the Manila Conference, you are visiting Kuala Lumpur following the Manila Conference because we wish to lend friendly support to this democratic country, which is recovering well from a severe dose of Communist guerrilla warfare.

Malaysia has become something of an economic and political showpiece in Southeast Asia, despite the drag of its troubles with Indonesia. Its leadership is responsible and Western-oriented. With the end of Indonesia's policy of confrontation, Malaysia's outlook is improved. However, it still confronts serious problems in fulfilling its five-year plan. Some arise because of uncertainty over the future of the British military commitments in Singapore and Malaysia upon which Malaysia's security, and the viability of its economic development plans, depend.

During Deputy Prime Minister Razak's conversations with you, Secretary McNamara and with me,<sup>2</sup> he laid out the three areas in which the Government of Malaysia now looks to the United States for sympathy and support: (1) military assistance; (2) support for Malaysia's five-year development plan; and (3) restraint in United States Government rubber and tin stockpile disposal programs.

We do not recommend a military assistance program for Malaysia, at this stage. The costs of Viet-Nam are obvious. Our MAP resources are limited. We do not wish to precipitate a British withdrawal from responsibilities we wish them to carry in Southeast Asia.<sup>3</sup>

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<sup>1</sup>Source: Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 14, Oct. 1–31, 1966. No classification marking.

<sup>2</sup>See Document 273.

<sup>3</sup>In an October 14 memorandum to the President, entitled "Matters of Substance for Your Country Visits," Rusk stated that the United States had to be very cautious on military assistance. "We can guarantee limited military sales of such items as helicopters, but any program of concessional sales, much less any grant aid, is out of the question with the cuts in over-all MAP program, the 40-country limitation, and policy objections to our becoming a major assisting power for Malaysia. It should be left to the British." (Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 14, Oct. 1–31, 1966)

Last May, we participated in an IBRD Consultative Group set up to examine Malaysia's needs in meeting the goals of its five-year development plan. In that context we outlined amounts and forms of assistance we were able to offer within the limitations of Food for Peace, A.I.D., and Export-Import Bank availabilities, in the amount of about \$100 million for the next five years. The Government of Malaysia appreciated this expression of United States intention but was disappointed that we did not offer bilateral A.I.D. loans or grants.<sup>4</sup> Since last May, developments—fund cuts and number of country limitations—do not help make possible enlargement of our aid to Malaysia even if the United Kingdom decides to reduce its level of support, military and economic.

Deputy Prime Minister Razak outlined to you Malaysia's acute anxieties over the decline in rubber prices. He mentioned that United States Government disposals from stockpiles were regarded in South-east Asia as contributing to a price decline. For a combination of reasons, rubber prices have dropped from 26 cents to 22 cents in the period between March and October, 1966. This price drop represents a loss of some \$170 million a year of foreign exchange to Malaysia, Thailand and Indonesia. (Malaysia accounts for 40 per cent of world production; Indonesia and Thailand together, 40 per cent.) It was appreciated in Kuala Lumpur that the GSA suspended rubber sales from stockpile following Deputy Prime Minister Razak's conversation with you. The rubber producing countries of Southeast Asia will be extremely sensitive to our disposal policy when sales from stockpile are resumed.

In view of our unwillingness to provide military or economic assistance to Malaysia, Bill Gaud and I believe strongly that, prior to your arrival in Kuala Lumpur, the Administration should declare its intention in 1967 to dispose of stockpile rubber at the 1965 level of 120,000 tons, rather than the March–October annual level of 170,000 tons, as our contribution to the stabilization of rubber prices at levels which can yield substantial foreign exchange earnings for three critically important Southeast Asian countries—Malaysia, Indonesia and Thailand.

We believe that the political and economic benefits of this decision to the United States would outweigh the proceeds of selling an additional 50,000 tons of rubber, i.e., \$25 million.

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<sup>4</sup> In his October 14 memorandum, Rusk noted that while the U.S. position at the May meeting of the Consultative Group was "sympathetic," the Malaysians "have found difficulty so far in making much use of any of these offers. Proper commodities for PL-480 are hard to find, few EX-IM projects have opened up, and truly 'regional' AID projects are small in scale."

We believe that if this decision were made and made known before your arrival in Kuala Lumpur, the impact would be strongly felt in Malaysia, Indonesia, Thailand, and noticed throughout the entire Far East as a reflection of your concern for the welfare of Asians engaged in production of primary products vulnerable to fluctuations in demand on the part of affluent societies. Rubber generates 17.7 per cent of Malaysia's GNP and 38.6 per cent of its foreign exchange earnings. One quarter of the total Malaysian labor force works on rubber plantations. Rubber trees represent an investment of almost \$1 billion, or four times investment in industry.

*Recommendation:*

We recommend that, prior to the Manila Conference, the United States Government should announce that for 1967 disposals from the United States Government rubber stockpile will be at an annual rate of 120,000 tons.<sup>5</sup>

**Dean Rusk**

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<sup>5</sup> In his October 14 memorandum to the President, Rusk stated that detailed proposals on the stockpile had been submitted to Califano and some actions might be taken before the President reached Malaysia. If not, Rusk wanted to review the issue before arriving in Kuala Lumpur. Rusk suggested that in view of the difficulties with these major issues, he was looking for smaller actions, such as regional education, transportation, and a possible COMSAT ground station, to "Improve the atmosphere."

There is no indication on the memorandum that Johnson approved the recommendation, but the United States announced a reduction in its sales of stockpiled rubber before the Manila Conference, and by September 1967 U.S. sales had been cut back from 170,000 tons to 70,000 tons per year; see Documents 276 and 280.

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## **275. Editorial Note**

President and Mrs. Johnson arrived in Kuala Lumpur at 10:11 a.m. on October 30, 1966, on Air Force One. During the 2-hour flight from Bangkok, Thailand, the President met with Secretary Rusk, Clark Clifford, Walt Rostow, and Bill Moyers. No record of this meeting has been found. Most of the President's and his delegation's time in Malaysia was spent in ceremonial activities. According to the Daily Diary, the President did not have any private meetings with Malaysian Government leaders although during the State Dinner on the evening of October 30 at Parliament House, he and Prime Minister Tunku Abdul Rahman "talked a good bit." The President and his delegation left Malaysia at 7:40 a.m. the morning of October 31. (Johnson Library, President's Daily Diary)



**276. Telegram From the Embassy in Malaysia to the Department of State<sup>1</sup>**

Kuala Lumpur, November 17, 1966, 0930Z.

2132. Ref: Kuala Lumpur 2091.<sup>2</sup>

1. As stated last sentence reftel, President's visit aroused Malaysian expectations of increased economic and military assistance from U.S. These expectations are inevitable concomitant of widespread Malaysian belief that visit signaled new era of more direct, benevolent U.S. interest in Malaysia.

2. Announcement of cutback in rate of stockpile rubber disposals in 1967 closely preceded President's visit, which Malaysians knew was to be closely followed by Eugene Black mission.<sup>3</sup> Enhanced by these presumed indications of heightened U.S. concern for Malaysia's welfare, President's visit created aura of goodwill unprecedented in nearly ten years of U.S.–Malaysian relations.

3. Relations between U.S. and Malaysia have always been friendly—but not intimate. Historically U.S. has regarded external guidance and assistance to Malaysia as primarily responsibility of Commonwealth. Consequently Malaysians felt proud, honored (and somewhat surprised) that President of U.S., country which had not previously paid special attention to Malaysia, included Kuala Lumpur on Far Eastern itinerary which otherwise embraced only U.S. allies. Conclusion reached by most Malaysians (and non-Malaysian diplomatic and journalistic observers also, I believe) was that U.S. now taking Malaysia into its circle of close friends in SEA.

4. Therefore it is not surprising that Malaysia's immediate attention should be directed to prospective tangible benefits to be derived from "new" relationship with U.S. High Malaysian expectations clearly evident from (a) Prime Minister's request to President that he moderate terms of credit for purchase of helicopters and (b) insistent requests from GOM officials for bilateral U.S. aid in private discussions with Black mission. (Newspaper articles and editorials welcomed Mr. Black as gift bearer following in President's train.)

5. Malaysians also tend now see U.S. assuming more forthright responsibility for ultimate security Malaysia, especially so since Presi-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL MALAYSIA–US. Secret; Limdis.

<sup>2</sup> Dated November 15. (Ibid., POL 7 US/JOHNSON)

<sup>3</sup> The report of President Johnson's Special Adviser on Southeast Asian Development, Eugene Black, dated December 9, on his trip to Southeast Asia including Malaysia is in the Johnson Library, National Security File, Country File, Vietnam, SEA Development Program, Vol. II, 1966.

dent's visit came at time when UK constrained reduce commitments this region. King's speech welcoming President called U.S. protector of small nations. Malay language *Berita Harian* editorial October 31, commenting on President's visit, said "no small nation can continue to exist without protection of big power." Malaysian conviction along these lines strengthened by (a) thematic emphasis in President's mission to SEA on common interest of U.S. and free nations of region in resisting Communist aggression and building strong, healthy societies, and (b) President's statement in Kuala Lumpur that U.S. prepared assure small nations against ChiCom nuclear blackmail.

6. As foregoing paragraphs reveal, in wake of President's visit U.S. finds itself in more direct relationship with Malaysia. I believe this is desirable development and that we should welcome more candid, cooperative basis on which our relations with Malaysia will rest henceforth. Malaysia has vital contribution to make to SEA development and cooperation, in which U.S. has vital interest and to support of which U.S. committed.

7. Initial tendency of Malaysians to view closer relationship with U.S. largely in terms of supposed opportunity get more U.S. aid presents us with problem in educative diplomacy, but I am hopeful that unrealistic expectations can be brought within reasonable bounds without undue irritation. I believe Mr. Black's visit was very helpful in this regard. He made clear presentation of limited aid possibilities and set tone for continuing frank dialogue with Malaysians. I believe DepPriMin Razak and other top leaders understand (a) that Malaysia can benefit from indirect U.S. aid through SEA regional programs and must look primarily to that aid channel, and (b) that extensive concessional bilateral assistance from U.S. not in cards unless Malaysian financial situation worsens appreciably. (As noted Kuala Lumpur's 2046,<sup>4</sup> however, GOM clearly does expect concession on terms for helicopter purchase, and I have recommended we give consideration to moderating those terms.)

**Bell**

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<sup>4</sup> Dated November 11. (National Archives and Records Administration, RG 59, Central Files 1964–66, DEF 12–5 MALAYSIA)

**277. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, December 10, 1966.

**SUBJECT**

Helicopters for Malaysia

As you know, the Malaysians are interested in buying helicopters, and they want to buy them from us. This was the one item of serious business raised with you by the Tunku during your visit to Kuala Lumpur. You promised to look into the matter on your return to Washington.<sup>2</sup>

The deal would involve 15 helicopters. The Malaysians need them for their civic action and counter-guerrilla activities. The amount of the contract would be about \$17.2 million, which would help in our balance of payments problem. The only competitors are an American company (Sikorsky) and a French company.

The attached memo from State (Katzenbach),<sup>3</sup> in which Defense concurs, recommends that we offer the Malaysians terms of 5½% interest and 7 years repayment. It suggests that we inform the Malaysians in a letter to Deputy Prime Minister Razak from Bill Bundy, and that you not communicate directly with the Tunku on this matter.

I find the memorandum from State inadequate on several grounds.

First, it does not offer you the options that in fact exist for handling this matter.

Second, it is misleading in implying (paragraph c, page 2) that it would require \$11 million to cover the difference between an offer of 5½% and 3% on interest rates.

Third, it does not offer a judgement as to how the Malaysians may react except to say "we may have some protest and bad feeling."

Fourth, it does not offer a judgement on the likelihood of the Malaysians turning to the French for this contract if we offer the suggested terms.

I have asked Bill Jorden to staff this out further. He has done so, with State, Defense and the Bureau of the Budget.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Memos, 1965–1968. Secret. A note on the memorandum indicates that the President saw it.

<sup>2</sup> According to telegram 1895 from Kuala Lumpur, November 2, the Tunku raised the issue of helicopters with President Johnson privately during Johnson's visit to Malaysia. (National Archives and Records Administration, RG 59, Central Files 1964–66, DEF 12–5 MALAYSIA)

<sup>3</sup> Not printed; dated December 6.

The picture is as follows:

*On options:*

Guarantee of EXIM loan plus needed MAP credit would cost out as follows (all figures approximate):

(With a 15% down payment)

5½% for 7 years—\$3.8 million

4% for 7 years—\$6.7 million

3% for 10 years—\$10.4 million

(With a 10% down payment)

5½% for 7 years—\$3.9 million

4% for 7 years—\$6.9 million

3% for 10 years—\$11 million

Funding for your preferred option can come from:

- (1) Adjustments in the credit sales program (assuming not all of the programmed sales materialize);
- (2) selling at harder terms to some countries for which concessional terms are now planned;
- (3) the contingency reserve (which at last report was about \$18 million).

*On Malaysian reaction:*

There is no doubt in Ambassador Bell's reporting that the offer proposed by State and Defense will come as a severe disappointment to the Tunku and to his government. It may be "without any warrant from us"—as State says—that the Malaysians have built up their hopes for something better than 5½%. But the fact is that those hopes exist.

Two years ago, we offered these same terms on Cessna aircraft. We lost out to the Canadians—and there were demonstrations in the street denouncing the U.S. as "uncle skinflint."

The Malaysians have come along well in backing our policy on Viet-Nam. They seem ready to do somewhat better in the future. I would not like to see that trend reversed without good cause.

Nor would I like to see the very positive effects of your visit to KL dissipated needlessly.

*On probable outcome:*

The Malaysians prefer our helicopters. But the French apparently have offered 3% for 10 years. Sikorsky representative thinks the Malaysians will go to the French if we offer 5½% for 7 years. Ambassador Bell agrees.

*On the problem of precedent:*

State and Defense are concerned that a better offer than that proposed will encourage other military purchasers to expect concessional terms. They are also worried that the Malaysians would expect us to

supplant the British military role which, as the memo states, “is the last thing we wish to do.”

I am sympathetic with both these concerns. However, we have made concessional sales in the past, in a variety of countries, without those concessions automatically becoming the basis for future deals. We have, in fact, made military sales to the Malaysians themselves (in 1965) at 3% for 10 years. I see no reason why our position cannot be explained to the Tunku and to others (if the question arises). This is one of the functions of diplomats—to make complicated and sensitive matters clear to others. I would explain it as a very extraordinary case holding no promises for the future, and as your response to a quite special appeal from the Tunku.

**Recommendation:**

I recommend that you consider favorably an offer of 4% for 7 years, with a 10% down payment. Our best estimate is that we can get the deal on these terms, although they are not as good as the French. But, in any case, you would have clearly responded to the Tunku’s appeal. You may want to tell State and Defense that this is your inclination but that you will consider any strong and overriding objections. Unless there are such major objections, you propose to move ahead on this line.

**Walt**

Approve 5½% for 7 years

Approve 4% for 7 years

Approve 4% for 7 years but check whether State and Defense have major objections<sup>4</sup>

Approve 3% for 10 years

See me

P.S. I haven’t listed the options on a 15% down payment here; they are in the body of the memorandum, if you want them.

**W**

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<sup>4</sup> The President checked this option.

**278. Memorandum From the President's Special Assistant (Rostow) to Acting Secretary of State Katzenbach<sup>1</sup>**

Washington, December 12, 1966.

**SUBJECT**

Helicopters for Malaysia

The President has considered carefully your memorandum of December 6 (copy attached)<sup>2</sup> on the above subject. He has weighed and is sympathetic to the arguments therein regarding an offer of support for the purchase at 5½ per cent interest and 7 years repayment.

However, he recalls that this matter was the one item of serious business raised with him by the Tunku on his recent visit to Malaysia. He attaches importance to the friendship of the Tunku and to the good relations that have developed between our two countries.

Given the importance of Malaysia's role in Southeast Asia, its internal situation, and its sympathetic understanding of our policy in Viet-Nam, the President believes that a somewhat more concessional offer is in order on a "one shot" basis. The sale will, of course, benefit our balance of payments. He has approved our support for an offer of 4 per cent for 7 years.

He believes that it is possible to make such an offer and at the same time make clear to the Malaysians that it is not a precedent, that it is made at considerable sacrifice on our part, and that it will not provide the basis for any future sales. The Malaysians should be reminded of our severe and burdensome obligations elsewhere in Asia.

As to financing, possibilities within the present MAP program should be explored first. Defense might want to consider hardening somewhat the concessional terms for other sales. Drawing on the contingency reserve for credit sales is another possibility.

The special circumstances of the President's trip to Malaysia and the Tunku's personal appeal could be considered as putting this matter in the "contingency" category.

If there are major considerations not heretofore brought to the President's attention, he has expressed his willingness to take them under advisement. In the absence of such overriding considerations,

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Memos, 1965-1968. Secret. A copy was sent to McNamara.

<sup>2</sup> See footnote 3, Document 277.

he has approved moving ahead along the lines noted in the third paragraph of this memorandum.<sup>3</sup>

**W W Rostow**

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<sup>3</sup> On December 27 Rostow cabled the President the following: "Your offer to Malaysians worked. We got the order for Sikorsky plus some goodwill." (Telegram CAP 661338 to the President, December 27; Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Memos, 1965–1968)

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**279. Intelligence Note From the Director of the Bureau of Intelligence and Research (Hughes) to Secretary of State Rusk<sup>1</sup>**

No. 652

Washington, August 9, 1967.

SUBJECT

Prospects for Lee Kuan Yew's Visit to the US<sup>2</sup>

In mid-October Lee Kuan Yew will make his first visit to the United States as Prime Minister of independent Singapore.<sup>3</sup> His primary purpose will be to make personal contact with the leaders of a great power he now regards as vital to Singapore's future economic stability and security. While he is anxious to maintain Singapore's non-aligned foreign policy and can portray this visit as balanced by his own 1966 trip to Eastern Europe and that of his deputy to Moscow in 1965, he will nevertheless hope that his visit will eventually pay off in concrete benefits for Singapore.

*Lee's Attitude Towards the US; Aloof but Friendly.* In the first days of Singapore's independence, Lee Kuan Yew, who had a reputation for

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL 7 SINGAPORE. Confidential.

<sup>2</sup> The Department of State indicated in telegram 763 to Kuala Lumpur, March 24, repeated to the Consulate in Singapore, that a Lee visit to the United States "is clearly in our interest and our future relations would benefit from a maximum exposure to the intellectual, social, and cultural aspects of American life about which Lee is clearly inadequately informed." (Ibid.)

<sup>3</sup> His only previous visit was in July 1962 when he made a brief stop in San Francisco and attended a UN meeting in New York. [Footnote in the source text.]

being pro-British but unfamiliar and somewhat contemptuous of Americans, was acidly critical of the United States to the press, revealing in the process a 1961 CIA effort to penetrate the Singapore police. This public, bitter anti-American phase (to which family problems then probably contributed) was shortlived. Before the end of 1965, Lee and his principal cabinet advisers were convinced that, for economic survival, an independent Singapore must expand its exports to the United States and attract American capital to develop new export industries.

Lee also recognized the importance to Singapore's stability of the American effort to forestall Communist aggression. In private talks with important American visitors, Lee has supported the US position in Vietnam,<sup>4</sup> although not all our tactics, particularly the bombing of North Vietnam; in public, he has said that the fate of Asia for years to come will be decided by what happens in South Vietnam and that holding the line in South Vietnam against Communist expansion is essential to Singapore's stability. In addition to recognizing the strategic importance of the US role in Vietnam, Lee and his government appreciate the economic benefits accruing from purchases in Singapore for US forces in South Vietnam and from Rest and Recreation expenditures there.

Lee has also been led to reassess his attitude towards an American security role in the area by his gradual acceptance of the fact that the British are going to withdraw militarily from the Malaysia-Singapore area by the mid-1970's except possibly for small forces to fulfill the UK commitment under the mutual defense treaty. He has suggested publicly that, under certain circumstances, an American military presence might become necessary.

*Lee's Principal Objectives.* Lee probably does not expect to obtain specific commitments from the United States during the course of his visit. Rather he probably hopes to establish a climate in which he can obtain sympathetic understanding of Singapore's problems and of his own views as to how the United States can contribute to their amelioration. Defense arrangements, economic problems, and Singapore's role in the area will probably be foremost among his preoccupations.

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<sup>4</sup> On June 29 John P. Roche of the NSC Staff sent President Johnson a summary of Lee Kuan Yew's off-the-record remarks to the Institute of Strategic Studies in London. One of Lee's three themes was that the United States must resist Hanoi's aggression (Lee's characterization). Johnson saw the memorandum from Roche. (Johnson Library, National Security File, Country File, Singapore, Vol. I, Memos, 8/65-7/67) A CIA [text not declassified] Report, [text not declassified], which was retyped in the White House, reported on a private conversation with Lee and a colleague in which the Prime Minister said he supported American intervention in Vietnam and feared that, if it failed, Communist subversion would slowly spread through all of Southeast Asia. There is no indication on the retyped copy that the President saw it. (Ibid.)



Lee may raise the question of US willingness to cooperate with the UK in guaranteeing the external defense of the area. In the light of Malaysia's and Indonesia's interest in diverting their trade away from Singapore and the economic effects of the British military withdrawal, he may hint that the US should make especially favorable conditions for Singapore exports. He may suggest that the US contract with Singapore to have some of its ship repair work done in Singapore. He will want to convince us that Singapore's population is primarily oriented to Singapore not China, and he will assure us that Singapore is willing to bear its share of responsibility for effective regional cooperation.

*Possible Results of Lee's Visit: A Good Public Image in the US but Friction in Southeast Asia.* The Lee visit will probably command considerable American press attention. Lee's already scheduled public appearances at the National Press Club in Washington and the Council on Foreign Relations in New York may well be supplemented by others and by TV and radio interviews. All of this will be gratifying to Lee and may well increase the sympathy and respect with which he is now inclined to view the United States. On the other hand, to the extent that Lee is widely publicized by the American press and built up as an Asian intellectual leader, his visit may antagonize the Malaysian government, particularly Prime Minister Tunku Abdul Rahman and Finance Minister Tan Siew Sin, who have not themselves attracted wide publicity in the US. While Lee's American visit may enhance his prestige as an Asian leader and Singapore's status among other Southeast Asian countries, too much and too favorable publicity for Lee, an ethnic Chinese, could also be resented by non-Chinese leaders of other neighboring states who also crave the limelight as Asian leaders. This possibility, together with Lee's disinclination to take public positions that will compromise Singapore's non-aligned status, may lead him to curb his natural instinct for publicity during his American visit.

**280. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, September 14, 1967.

**SUBJECT**

Malaysian Desire to See You on Fall in Rubber Prices

The price of rubber has recently reached a 17-year low. The Government of Malaysia is trying to give the impression that it is doing something about it. Without any discussion with us, they announced that their Finance Minister was coming to Washington to discuss with you, if possible, the "serious problem" posed by sales from our rubber stockpile.

This is nonsense. During the past 12 months we have cut our stockpile sales from 170,000 tons a year to the current 70,000 tons, all of which is used to meet U.S. Government contracts. These sales simply are not a significant factor in the current rubber market.

I do not believe you should see the Malaysian Finance Minister:

(1) He will be asking that we totally suspend our disposal sales. He should be told "no," and I think it best that he get that answer from a lower level.

(2) It is probable that the Malaysians will, at some stage, try to make us the whipping boy for their rubber problems. I, therefore, think it best that you avoid any personal involvement in this matter.

(3) Finally, they are trying to meet a serious problem by chanting magic incantations. I think it is beneath the dignity of your office to get involved in this exercise in futility.

The State Department is in agreement, but I expect Malaysian Ambassador Ong will make strenuous efforts to arrange the appointment through the back door, once he finds the front door is locked. This memorandum is intended to "cut him off at the gulch."

I recommend that you decline all efforts to arrange a meeting between you and the Malaysian Finance Minister.<sup>2</sup>

**Walt**

<sup>1</sup> Source: Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Cables, 1965–1968. Confidential. Rostow based this memorandum on memoranda from Jorden, May 9, and Wright, September 14, to him. (Ibid., Memos, 1965–1968 and ibid., Cables, 1965–1968)

<sup>2</sup> Johnson checked the "Approve" option. Rostow added the following handwritten option: "My boys recommend that I see him." Johnson subsequently changed his mind and did see the Finance Minister; see Document 283.

**281. Memorandum From Marshall Wright of the National Security Council Staff to the President's Special Assistant (Rostow)<sup>1</sup>**

Washington, September 29, 1967.

SUBJECT

Your meeting at 5:00 p.m. on September 29—rubber, Malaysia, and Finance Ministers<sup>2</sup>

I thought it might be useful for you to have this background prior to the meeting.

The Malaysians are continuing their all-out efforts to get Finance Minister Tan Siew Sin in to the President. They have sent Foreign Ministry Permanent Secretary Ghazali here as an advance man charged with the task of getting the appointment.

In meetings at State and here, Ghazali has made a very vigorous presentation, the essence of which is:

- (1) The Malaysians greatly value their friendship with the U.S.
- (2) The Malaysian future is based on the success of current development efforts largely based upon stability in the rubber market.
- (3) The decline in the rubber market is an extremely serious problem for Malaysia, and Communist propagandists are attempting to poison U.S./Malaysian relations by using our stockpile disposals as "evidence" that the U.S. is not really helpful to Malaysia.
- (4) The Malaysian government wants to remove, once and for all, this irritant in U.S./Malaysian relations.
- (5) The Malaysians, therefore, want to discuss a series of proposals for ending the stockpile problem.
- (6) In the meantime, it is essential that Tan see President Johnson and that the President indicate that he has instructed his government to work "together" with Malaysia in regard to the rubber problem.
- (7) This will then enable the Malaysian authorities to handle their public relations problems with Communist agitators.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Memos, 1965–1968. Confidential. A copy was sent to Jorden.

<sup>2</sup> No memorandum of conversation of Rostow's meeting with Ghazali has been found, but in a September 30 memorandum to Rostow, Wright described the results of the meeting. Wright wrote: "prior to the meeting with Ghazali in Ernie Goldstein's office [a Special Assistant to the President specializing in domestic issues] Malaysian Finance Minister Tan was planning to follow his meeting with the President with a speech in New York in which he would call for complete suspension of our sales from the rubber stockpile. It [an attached cable from Kuala Lumpur] also shows that exposure to reality in Ernie's office has led the Malaysian Government to order the suspension of GOM statements attributing the rubber price decline to U.S. stockpile releases." Wright considered this a "move in the right direction," as well as evidence of the danger of connecting the President with the rubber problem and the need for "courteous but complete candor" with the Malaysians. (Ibid., Cables, 1965–1968).

Ghazali stresses that, for the time being, concrete steps are not as important as the atmospherics of a presidential meeting.

Of the various Malaysian proposals for dealing with the stockpile, only one has any possible merit from the U.S. point of view—that the Malaysians purchase the entire stockpile. We have had several meetings with the technicians on this possibility, and Ed Fried has come up with a package which all agree is worth considering from our point of view. Briefly, the package is:

(1) The Malaysians would convert \$100–\$150 million of their reserves into 5-year Treasury bonds. Thus we get an immediate balance-of-payment effect to the value of the stockpile.

(2) EXIM extends a credit to the Malaysians to enable them to purchase the stockpile. This is a washout from the budgetary point of view in that it is a debit to EXIM and a credit to the stockpile account. The loan agreement would provide for repayment within three years. Thus, we would get a net favorable budget effect, either immediately by selling the paper at a discount, gradually through the amortization of the loan or, at worst, in lump-sum repayment after three years.

We do not know whether this idea is even in the ball park, so far as the Malaysians are concerned. Bob Barnett is informally sounding out the Malaysians on this. Thus far, all agree that if the Malaysians are not serious about a previous agreement on something concrete, Tan should not see the President. State, however, is giving at the seams and will, I think, eventually recommend the meeting, even if it is only for cosmetic effect.

My own instinct is that the Malaysians are really engaged only in an effort to get Tan in to see the President. I believe they will take the position that nothing concrete can be agreed upon without extensive study, but their hearts are in the right place, and we should show that our hearts are in the right place by having the President receive Tan and make noises on working together on the rubber problem.

An additional complication, of which you should be aware, is that the Indonesian Finance Minister, Franz Seda, will be in town at the same time (next week) as Tan. Seda also wishes to see the President to deliver a letter from President Suharto.<sup>3</sup> State is much concerned with the damage that could be done if Seda were to see the President while Tan was refused. I agree that this is a problem. One way out would be for you to see Seda on the President's behalf.

**Marshall**

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<sup>3</sup> Seda met with Vice President Humphrey; see footnote 2, Document 245.

**282. Memorandum From Secretary of State Rusk to President Johnson<sup>1</sup>**

Washington, October 9, 1967.

**SUBJECT**

Possible Appointment with Malaysian Minister of Finance, Tun Tan Siew Sin

The Malaysian Minister of Finance has been in Washington for ten days as a Special Emissary of the Malaysian Prime Minister, to explore with us ways of alleviating the situation in rubber whose price has fallen to an eighteen year low. He has asked us in the strongest terms for at least a courtesy appointment with you. Our recommendation is that you agree to such an appointment on Tuesday, October 10, or Wednesday, October 11, with the understanding, already obtained from the Minister, that he would make no requests of you with respect to rubber, would make Southeast Asian regional cooperation, and the role of the Asian Development Bank in particular, the major focus of the exchange of views he desires, and would agree to issuance to the press of the release attached.<sup>2</sup>

*Recommendation*

That you agree to a short courtesy call with the Minister of Finance on October 10 or 11 with the understanding that a public statement would be made along the lines of the enclosed.<sup>3</sup>

*Background*

The Malaysian Minister of Finance left Kuala Lumpur with the Malaysian press stating that his purpose was to request you to suspend sales from the GSA stockpile. For a considerable period of time, Malaysia has attributed an entirely disproportionate importance to stockpile disposals as a factor in the downward trend of rubber prices which currently are at their lowest level in 18 years. They have taken hitherto no account of the difficulties you would face in reducing disposals below the present level of 70,000 tons being sold exclusively for U.S.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL 7 MALAYSIA. Confidential. Drafted by Barnett and Robert W. Duemling (EA/MS) and cleared by Eugene Rostow and Solomon.

<sup>2</sup> The press release was attached to an October 9 memorandum from Bundy to Rusk, in which Bundy recommended that the Secretary send this memorandum to the President. Bundy outlined in more detail the issues and described in Tan's seven meetings with State, Treasury, and GSA officials. (Ibid.) The text as released by the White House Press Office is in telegram 52462 to Singapore and other relevant posts, October 11. (Ibid.)

<sup>3</sup> For the memorandum of Johnson's discussion with Tan, see Document 283.

Government purposes. We have said in the strongest terms that reduction below 70,000 would be impossible. The Finance Minister brought with him to Washington a proposal to purchase the whole of the 360,000 tons of stockpile rubber. Under what precise arrangements such a transaction may be possibly completed without adverse effect upon either the U.S. or Malaysian budget and balance of payments situations has been under urgent study for the past week. After very careful calculations, it was the opinion of both sides that the gap between the price Malaysia was prepared to offer and that which GSA could accept was too wide to offer any promise that a transaction could be closed without some other, perhaps radically different, approach to the possibility of a sale. Discussion of possibilities can be resumed if the Malaysians desire.

We have been impressed by the way Minister Tan and his colleagues have begun to search for realistic solutions to the problems of natural rubber and are gratified that they seem ready to try to deflect Malaysian public opinion from a long-standing preoccupation with our stockpile sales. He has accepted, with disappointment but in seeming good spirit, our judgment that an international rubber agreement, dealing with synthetic and natural rubber, is impractical and that the United States could give no encouragement to holding conferences or commencing discussions for the purpose of establishing such an agreement.

Minister Tan faces real problems in returning to Malaysia if he can offer no credible explanation for why he remained ten days in Washington as Special Emissary of the Tunku and failed to see you. Minister Tan is prepared to make firm commitments that in a call on you he would ask nothing of you nor raise any points brought up in our recent discussions on rubber. Instead he would be prepared to express appreciation for reductions you have made in rubber stockpile disposals, and would wish otherwise to use the occasion of his call to discuss Southeast Asian regional cooperation and, in particular, the important role of the Asian Development Bank.

**Dean Rusk**

**283. Memorandum of Conversation<sup>1</sup>**

Washington, October 10, 1967.

**SUBJECT**

Rubber and Malaysian Role in Viet-Nam

**PARTICIPANTS**

The President

Walt W. Rostow, Special Assistant to the President

Joseph A. Califano, Jr., Special Assistant to the President

Ambassador James D. Bell, American Embassy Kuala Lumpur

Robert W. Barnett, Deputy Assistant Secretary (EA)

Tun Tan Siew Sin, Minister of Finance, Malaysia

Ong Yoke Lin, Ambassador of Malaysia

Mohd. Ghazali bin Shafie, Permanent Secretary, Malaysian Ministry of Foreign Affairs

The Minister conveyed greetings from Prime Minister Tunku Abdul Rahman and referred to the warmth and joy of President Johnson's visit to Malaysia. He said he had come to Washington because of difficult circumstances which had arisen in Malaysia because of the price of rubber. He explained the economy was heavily dependent on rubber and the price was the lowest in 18 years, causing budgetary and balance of payments problems. To illustrate, he said that rubber smallholders are—reminiscent of days of the Japanese Occupation—now getting only one meal a day. In short, rubber prices were having grave social and economic effects.

The Minister said although he did not want to burden the President with details, he did want to explain that Malaysia had brought to Washington three proposals. One was to buy up the rubber stockpile and here he said the United States and Malaysia had found a wide area of agreement, but none yet on the critical question of price. His second proposal was for Malaysia to have first refusal to buy the 17,500 tons we are now offering quarterly. This was not acceptable to the United States. The third was an offer to buy on the open market, the foreign exchange costs of which could be covered by a switch in Malaysian reserves from London. The present situation was a decision to continue the dialogue and not to close the door on further exploration of possibilities. He said he thought this was a useful step toward solving the problem.

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<sup>1</sup>Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL 7 MALAYSIA. Confidential. Drafted by Bell and approved by Walt Rostow on October 17. The meeting lasted from 5:23 to 5:50 p.m. (Johnson Library, President's Daily Diary)

The President asked how much surplus we had and how Malaysia would pay for it. It was explained that there was a 360,000 ton surplus and that it could be paid for through a financing arrangement with the Export-Import Bank. The President asked whether or not there would be a loss or a gain in the sale of rubber. Mr. Barnett explained how discount of the price from the current 19.5¢ to 13.5¢ might be possible. The Malaysians still said they could only pay 6¢ less than this. The calculations that went into our reduction from 19.5¢ to 13.5¢ represented savings to GSA by selling rather than storing, administering, and processing this deteriorating commodity. The Malaysians took into consideration in arriving at an offer of 7¢ a pound such additional factors as a discount for bulk sales, projection of declining price, and a certain "aid" factor. The President agreed immediately that we should not make such discounts. He would be obliged one day to justify sale to the Congress.

Minister Tan Siew Sin explained decline in value of our stockpile. We had bought when prices were very high during the Korean War. The current soft market price of rubber was due to an economic recession in Western Europe (he also included the USA), more Indonesian rubber in the market, closure of the Suez, and strikes in the United States.

The President said why didn't we use rubber in tires purchased by the USG. Ambassador Bell said that we were using the rubber for USG purposes.

The President explained that he was faced with \$30 billion deficit due to costs for the war in Viet-Nam. He said that the USG had estimated a revenue of \$800 million from disposals on surplus commodities, but that in fact this was running at a rate of only \$400 million. He asked Mr. Califano to take another look at how sales of stockpile items could be increased.

The President asked what Malaysia was doing to help in the Viet-Nam War, especially in regard to training, which he recalled he had discussed with the Tunku last October. The President said he had to show some more aid from Malaysia and from other countries in the area whose interests and safety we defended. Ambassador Bell explained that Malaysia was training 35-40 police officials at any given time. The President thought this was pretty small and expressed the hope that many more Vietnamese would be sent to Malaysia for broader training. We should step up this program.<sup>2</sup>

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<sup>2</sup> In a memorandum to Walt Rostow, October 13, Wright stated that the Malaysian contribution to Vietnam was greater than this. Since 1962, Malaysia had trained about 2,000 police and had sent a high-level group to Saigon to discuss rural development, which got "the cold shoulder from the Vietnamese." Wright suggested that the Malaysians' best contribution was training high-level officials in implementation of economic development plans and getting political credit from it. (Ibid., National Security File, Country File, Vietnam, 5 D (2), Allied Troop Commitments and Other Aid, 1967-1969)



Referring back to the rubber stockpile, the President said that Mr. Moody<sup>3</sup> should be asked to determine the lowest price at which we can sell the stockpile to Malaysia.

Minister Tan, referring to a recent talk with Mr. Eugene Black, expressed appreciation for the American contribution to the Asian Development Bank. The President expressed some doubt that he would be able to get the needed legislation from Congress this year.

As the Minister was leaving, the President asked him to tell the Tunku he would appreciate anything further that Malaysia could do to help in Viet-Nam. He said it wasn't the number that counted but a really sincere effort.<sup>4</sup>

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<sup>3</sup> Acting Administrator of GSA Joseph Moody.

<sup>4</sup> In a memorandum to the President, October 11, Goldstein reported that as a result of their meeting with Johnson, Tan and Ghazali had a "more realistic appreciation of the complexities and burdens" of the President's position. This realization would make the Malaysian Government more reasonable and improve U.S.-Malaysian relations. (Johnson Library, National Security File, Country File, Malaysia, Vol. IV, Cables, 1965–1968)

## 284. Memorandum From Secretary of State Rusk to President Johnson<sup>1</sup>

Washington, October 13, 1967.

### SUBJECT

Your Meeting with Prime Minister Lee Kuan Yew of Singapore

### General

Lee's visit is in many ways similar in tone and objectives to that of Ne Win a year ago. Although Lee has come out strongly in basic defense of our actions in Viet-Nam, and is deeply engaged in Southeast Asian regional cooperation, he remains basically independent and non-aligned. *What he really wants to do is to discuss the future of Southeast Asia frankly with you and to assess American policy there.*

Lee is a highly intelligent and able man, educated in the law in England, and deeply familiar with the British and particularly the current Labour Government. He now realizes that the British are in the process of disengaging from Southeast Asia, and this leads him to two related beliefs: (a) that a *continuing American role* in Viet-Nam and in support of individual and regional economic development is *vitaly important*; but (b) at the same time, that *the nations of the area* must use the time we have bought for them in Viet-Nam (his own phrase) to *strengthen themselves and to cooperate much more strongly*. What he wants to know, not only from talking with you but from a wide schedule of contacts in the rest of his trip, is *whether the United States has the stamina to see Viet-Nam through, and the subtlety and will to play the important but over time diminishing role that he envisages for us in the area.*

Lee is Singapore, and would probably appreciate it particularly if your conversation with him was largely private and without staff. He may be tense at first in a new setting, but we believe you will find him direct, frank,

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL 7 SINGAPORE. Secret. Drafted by William Bundy and cleared by Maurice D. Bean, Country Director for Malaysia–Singapore. A typewritten note reads: "Original sent to WH in Briefing Book." In an attached covering memorandum to Rusk, Bundy noted that this memorandum was lengthier and in a different format than the normal practice, but Bundy felt that since Lee was such "an exceptional individual" and since he and Johnson had never met, it would be of greater use to the President. Johnson met Lee alone in the White House on October 17 from 12:03 to 1:22 p.m. (Johnson Library, Daily Diary) No record of their conversation was made. While Galbraith did not know what Lee and Johnson spoke of, he concluded from subsequent meetings with Lee that "the meeting left Lee with a deeply favorable impression of the President and a desire to be helpful to him." (Memorandum from Galbraith to Rostow, November 15; National Archives and Records Administration, RG 59, Central Files 1967–69, POL 7 SINGAPORE)

*and very much worth talking to. He has no significant requests to make, and no desire whatever even to mention the frictions we had with him two years ago [1 line of source text not declassified]. For him, the past is dead, and the important thing is to plot his future in a new type of Southeast Asia, with an American role along lines very similar to those we ourselves would visualize.*

If you wish to get a capsule picture of his thoughts and intentions, we enclose major excerpts from a television interview that he gave in late September.<sup>2</sup>

*Specific Topics:*

1. *Viet-Nam*

*Lee has no doubt of the basic importance of our seeing it through. He has made a number of strong and helpful statements in the past nine months, the latest being at the British Labour Party conference in Scarborough. He does not expect to be thanked for these, but a quiet expression of appreciation for his understanding would not be amiss.*

*You might consider asking him what he would do at this point in your shoes. He has no very special knowledge of Hanoi, but he does know Communists from long experience, and he considers himself something of an expert on China. His response could be interesting and would probably be along the lines of a middle course—doing all we can in the South, keeping up the pressure and the bombing unless we get something very concrete in return for stopping, but not appearing to threaten China or the existence of North Viet-Nam. Although Lee has signed on to one “stop the bombing” communiqué with the Indians, it seems pretty clear that—like the Indonesians—he did so for the sake of his non-aligned image and not out of deep belief. He would be deeply interested if you gave him your personal views on the strength of dissent and opposition in this country, and how you are handling the situation. He and the inner circle of his government are highly discreet, and we have no reason to believe that any confidence you share with him would be violated.*

2. *Southeast Asian Regional Cooperation*

*Lee’s conversion to this was due much to the highly successful visit of Eugene Black during his trip last fall. He became convinced that our quiet general support made sense, and he then went to work with the other nations to form what is now the ASEAN grouping of Malaysia, Singapore, Indonesia, Thailand, and the Philippines. Lee would have liked to see ASEAN bite off more concrete economic projects, but he accepts it as a good first step. You might wish to draw him out on this,*

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<sup>2</sup> Attached but not printed.

not only on the economic possibilities but on whether he sees ASEAN making an indirect security contribution over time. We ourselves believe that ASEAN could reduce the chances of further difficulty between Indonesia and its neighbors, and that—even though it has no express security provisions—it could develop a useful morale and authenticating function against future aggression directed at any of its members or countries in the area.

### 3. *Indonesia*

Singapore's economy could be enormously benefited by the revival of Indonesia, and Lee is totally in favor of our policy of multilateral aid. He is not all that sure that Indonesia can maintain its stability, but he has no doubt that this is essential in the future picture of the area.

### 4. *Malaysia*

Lee and the Tunku are oil and water, and there are continuing suspicions and criticisms. Basically, Lee is a bright Chinese who thinks that Malays are pretty sloppy people. Occasionally, he gets into destructive and unhelpful comment on this, although we doubt very much that he would do so with you. Nonetheless, he knows that the two have to get along, and will not demur to being told so in quiet but firm tones, as *we are making clear that this is something the two have to handle for themselves*. In the past, he has been concerned that we were going to step into the British shoes in Malaysia and give Malaysia extensive military support; this fear has now been allayed by our low-key policy in Malaysia and by our willingness to sell modest military equipment to Singapore itself.

### 5. *Implications of British Withdrawal*

Lee fought last spring's fight with the British, shoulder to shoulder with us, the Australians, and the New Zealanders, and may well have been the most effective of any of us. He is deeply concerned that the British at least adhere to their present timetable, and he will be joining with the Malaysians, Australians, New Zealanders, and hopefully the British to review the situation in early 1968 and see what can be done. His comments on the current British situation would be worth hearing, as he has just come from England. His comments on the future will probably be general, except for point 6 below.

### 6. *U.S. Use of Singapore Bases*

Lee has now *said publicly* that he would be perfectly willing to have our naval vessels and aircraft use the facilities in Singapore on a commercial basis. Privately, he may well urge us to do so. DOD and JCS have gone over the possibilities, and are reluctant to change present arrangements at least in the short term. We suggest you tell him simply that we have had a hard look at this, and that he should discuss it

with Secretary McNamara.<sup>3</sup> He does not expect any firm undertaking from us, and *any decision on our part will probably have to come gradually and over a period of time, if at all.*

#### 7. Economic Matters

We doubt if Lee will raise anything on this score with you. We have a reasonably satisfactory cotton textile agreement, and his main concern is to get more American private investment. If he should even mention the cotton textile situation, on which certain minor matters are pending, we suggest you refer him to Secretary Rusk.

#### 8. Overseas Chinese

Lee is deeply convinced that the future of the overseas Chinese in Southeast Asia lies in their individual countries, and that Singapore can serve as an independent model and influence in the area. At one time, he *had the suspicion that Americans were convinced that the overseas Chinese were a Chinese Communist fifth column.* If he gets on to this topic, you should leave him in no doubt we have no such belief today, and that we fully share his basic view.

#### 9. Singapore Itself

Lee and his government *have done an outstanding job of making Singapore work.* The living standard is the second highest in Asia, and his housing and other programs are models. So are his civil service and lack of corruption. At the moment, his political troubles seem minimal, with the more chauvinist Chinese put at a disadvantage by the disorder on the mainland.

*He would doubtless appreciate your expressing a word of congratulations on his domestic performance and asking for his comment.*

#### 10. Developments in Communist China

Lee is as uncertain as the rest of us of what is going to develop there, but probably sees it as a gradual unraveling unless Mao calls off the cultural revolution. His main concern is that when Communist China pulls itself together—2, 5, or 10 years from now—Southeast Asia should have been strengthened to the point where the Chinese will let it alone. He is entirely clear that the Communist Chinese do not plan

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<sup>3</sup> McNamara met with Lee on the evening of October 18. They discussed prospects of continued British military use of Singapore's facilities in face of the Wilson government's plans to withdraw east of Suez. Lee was confident Singapore's repair and maintenance facilities and its military airfield would keep the British Navy there. Lee hoped that the United States would also consider using Singapore, and McNamara agreed to look into that possibility. Lee and McNamara then had a long discussion on Vietnam in which Lee argued that the United States was placing military considerations before political ones. (Memorandum of conversation, October 18; Washington National Records Center, RG 330, OSD Files: FRC 72 A 2468, Singapore 1967 (Singapore 09.1.112) and memorandum from Galbraith to Rostow, November 15; National Archives and Records Administration, RG 59, Central Files 1967–69, POL 7 SINGAPORE)

military aggression, but equally clear that they will inevitably exert great pressure and build up subversive assets if Communist China is again united and determined and Southeast Asia has not become a lot stronger and more cooperative.

#### *Public Statements*

We have drafted a very simple joint statement to be issued on the afternoon of the second day of the visit.<sup>4</sup> We expect to have this worked out fully before Lee arrives, and at the latest on the first afternoon. In Washington, Lee is not appearing in public, but is making an off-the-record speech to the Overseas Writers and seeing the House and Senate committees. Thus, there should be no real competing publicity during his Washington stay, unless the Congressional committees should leak.

On the rest of his trip, he has several public speeches and will appear on "Meet the Press" on Sunday, October 22. He knows how to handle himself, and we think the net results could be very favorable. You might wish to indicate your awareness that he is doing these public appearances, but we strongly urge that you give him no substantive advice unless he asks for it—and then only in low key. He is an articulate and tough politician who will have already figured out what he wants to say.

**Dean Rusk<sup>5</sup>**

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<sup>4</sup> The joint statement, October 18, is printed in *American Foreign Policy: Current Documents, 1967*, pp. 806–807.

<sup>5</sup> Printed from a copy that indicates Rusk signed the original.

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## **285. Memorandum of Conversation<sup>1</sup>**

Washington, October 17, 1967, 4:15 p.m.

### **SUBJECT**

Singapore Prime Minister Lee Kuan Yew's Meeting with the Secretary

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL SINGAPORE–US. Secret; Exdis. Drafted by Galbraith and approved in S on November 2. The meeting was held at Blair House.

## PARTICIPANTS

*Singapore*

His Excellency Lee Kuan Yew, Prime Minister of Singapore

His Excellency Professor Wong Lin Ken, Ambassador of Singapore

*United States*

The Honorable Dean Rusk, Secretary of State

The Honorable Francis J. Galbraith, Ambassador to Singapore

Assistant Secretary for East Asian and Pacific Affairs William P. Bundy

1. In response to the Secretary's opening question about what he thought British intentions in Singapore were, Lee said that barring catastrophe to the British pound, the British position would hold until April 1971. They would, however, be gone from Malaysia, and the die would be cast for their eventual complete withdrawal from the ground in Southeast Asia. Lee indicated that he gave little credence to the British defense commitment once that withdrawal took place. The danger would be internal, not external, and there was little that a mobile force, afloat or in the air, could do to help on that. It was important that someone fill the vacuum. Lee said he was disturbed at the prospect of New Zealand's expected movement of troops out of Malaysia to Viet-Nam. The Communists along the Malaysia–Thai border would be watching these developments carefully. Lee said it had been the British and Australians who had convinced the Communists they couldn't win the insurgency in Malaya. They might, in the absence of replacement for the British troops withdrawn, be emboldened to try again.

2. The Secretary asked Lee what he would do if he were in our shoes in Viet-Nam. Lee said he would put the alternatives before his political opponents and make them choose. He thought a bombing pause might be tried but there was danger if it failed, that the hands of those political opponents who favored escalation would be strengthened. Lee thought the most important thing to do was to find "digits" strong enough to put backbone into the South Vietnamese and to provide the government there with the required credibility. He spoke critically of General Thieu and Marshal Ky and he questioned whether the United States would continue to show the necessary stamina in the face of the lack of productivity of the war effort under their leadership.

3. Lee also deprecated the U.S. record in Asia. As examples, he cited our alleged failure to come to the aid of the Kuomintang Government in China (giving our support, instead, to Europe in the form of the Marshall Plan) and other (unspecified) actions in the 1950's which he called "imperialistic, selfish and cynical." He said he would not commit himself to the side of the United States unless and until he could be assured that we would stand firm in Asia and that we would stand back of him. He implied that this would require proof on our part erasing his doubts. Lee went into some diatribe alleging that the

American motives, leading it to favor its European at the expense of its Asian commitments were basically attributable to racial feelings against Asians. The Secretary said he could not accept that interpretation of our record in Asia or our motivations. He added that unless the Prime Minister could find the assurances he was seeking of the kind of people we are from our record in Asia since World War II, there was no form of words that would provide such assurance.

4. Lee talked at length about his suspicions that American "Eurocentrism" made it unlikely that we would do what will be necessary to preserve a balance of power in favor of the free countries of Asia. He seemed to be trying to draw the Secretary into a statement about the willingness of the United States to make a commitment to Singapore as a quid pro quo for more explicit support of the U.S. position in Asia by Singapore. Toward the end of the meeting, the Prime Minister's voice took on an urgent, almost desperate note as he pictured the United States and Singapore in partnership in Southeast Asia. The Secretary, however, made no commitment.<sup>2</sup> Lee then said they might not have another chance to talk as he didn't know when or whether he would be able to come to the United States again.<sup>3</sup>

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<sup>2</sup> In a November 15 memorandum to Rostow, Galbraith stated that for reasons not clear to him, the Lee-Rusk conversation was "less felicitous than most others." Galbraith thought Lee's expressions were "overdrawn and he sounded less reasonable and attractive than he was on most other occasions." Lee "seemed to be drawing the Secretary into a statement of commitment, or of a willingness to consider a commitment, to Singapore as a quid pro quo for more explicit Singapore support for the United States in Vietnam." Galbraith reiterated that Lee's argument was urgent, almost desperate, which he attributed to Lee's tension about his first meeting with Johnson, the long day, and his encounters with the American press corps. (Ibid., POL 7 SINGAPORE)

<sup>3</sup> In a meeting with William Bundy the morning of October 18, Lee expressed his desire to maintain a British military presence in Singapore and his hope the United States would use Singapore's repair and maintenance facilities more in the future. Lee warned against allowing the Malays and Indonesians to expect U.S. support if there was any discord with their Chinese populations. Bundy assured Lee of U.S. impartiality, but Lee remained suspicious of "the Generals" in Indonesia and "the young Turks" in Malaysia. Lee stated he wanted to arm Singapore sufficiently to "give anybody a bloody nose who is going to rob the house and take my jade pieces." Bundy promised the sale to Singapore of light weapons, but thought heavy weapons a mistake. Lee hoped that the word could be dropped that the Seventh Fleet would prevent Indonesian or Malaysian incursion into Singapore. Bundy and Lee then discussed Vietnam. (Memorandum of conversation, October 18, and memorandum from Galbraith to Rostow, November 15; ibid., POL SINGAPORE-US and POL 7 SINGAPORE)



**286. Memorandum for the Record**

Washington, October 18, 1967.

[Source: Department of State, Bundy Files: Lot 85 D 240, Lee Kuan Yew. Secret; Eyes Only. 3 pages of source text not declassified.]

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**287. Memorandum From Vice President Humphrey to President Johnson<sup>1</sup>**

Washington, October 19, 1967, 11:30 a.m.

SUBJECT

Meeting with Prime Minister Lee Kuan Yew of Singapore  
Wednesday, October 18, 1967

Yesterday morning in a frank exchange with Prime Minister Lee Kuan Yew of Singapore, Lee likened our experience in Vietnam to a long bus ride, from which we had several opportunities to get off, but from which we cannot now debark until the trip is successfully concluded. We could have left the scene in 1956 after the elections of that year; in 1961 because of the generally unfavorable situation; and in 1963 after Diem's death, by stating that we did not desire to get mixed up with the "generals' settlement" and therefore withdraw our 25,000 advisers. By 1965, there was no longer a choice, and in 1967 any talk of withdrawal is nonsensical.

"What will happen to you," he declared. "Who will place any confidence in you?"

The Prime Minister said that the United States had made no commitment to him, and that he was not looking for one. He said, however, that if the United States indulged in a "give-away" or withdrew from Vietnam, there would be fighting in Thailand within one and a half to two years, in Malaysia shortly thereafter, and within three years, "I would be hanging in the public square."

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<sup>1</sup> Source: Johnson Library, National Security File, Name File, Vice President, Vol. II. No classification marking. A note on the memorandum indicates that the President saw it.

Lee stated that he had rejected Communism and defeated it in his country by "ballots and not bullets." "My God," he said, "they want to punish me for that!"

The Prime Minister, who was to speak before the National Press Club at noon and before the Senate Foreign Relations Committee later in the afternoon, asserted that he could not understand either our Senators or our Press. He asked if the Senators spoke from their hearts or for their constituents, when they declared we should get out of Vietnam. He said the Press was making Vietnam a domestic political issue, and he is reluctant to get involved in the domestic debate on Vietnam.

I explained to him the relative political independence of a U.S. Senator and told him that in my opinion, if the chips were really down, that 80 out of 100 Senators would support our policies in Vietnam. I also assured him that the Press would report what he said as he said it.

I urged him to tell the Senate, the Press Club and his viewers and listeners on his "Meet the Press" appearance, exactly what he had said to me.

Without urging or prompting, Lee summed up his feelings:

"Does America feel that we are human beings? That this part of the world matters? The center of gravity has moved from the Mediterranean to the Atlantic to the Pacific. You are going to have to take sides. No one wants to be on the losing side. With you, we have a fighting chance. For me, it's survival."

Speaking of the Viet Cong and the North Vietnamese, Lee stated that we must convince them that history is not on their side. If they believe this, they will not hold out for a long period of time. Referring again to the necessity for perseverance on the part of the United States in Asia, Lee stated: "If you are wavering, I am going to make some contingency plans." He added that the Thais, who have a legendary reputation in Asia for anticipating history and switching sides to end up on the winning side, will be the first to make other arrangements and reach some accommodation with North Vietnam or China.

Knowing that U.S. presence in Asia is essential to his own survival, Lee is nevertheless concerned about how one can keep the temperature controlled in the United States on this issue during an election year. He is greatly concerned that the war might widen. Speaking of Secretary McNamara, whom he had met and whom he greatly admires, he stated that "when I have seen him (McNamara) whittled down by the generals, this worries me."

I assured the Prime Minister that the main general, the Commander-in-Chief, is elected, and he is the man in charge. There is a strong tradition here of civilian supremacy, which once led President Truman to remove General MacArthur at the time of the Korean War.

This government is not engaged in trying to obliterate North Vietnam. The President remains open to suggestion and innovations on the question of strategy and tactics. He is determined that every possible restraint will be applied to prevent the war from becoming a major conflagration. He has emphasized this in his talks with foreign leaders, including those with Prime Minister Kosygin at Glassboro.

I told the Prime Minister that there is general agreement here on the importance he attaches to the patience and determination of the United States in meeting its commitment in Asia. This is what has been called into question by critics in Congress, the Press and across the country. It is for that reason that it is so important that a man like Lee Kuan Yew, who is a highly-regarded Asian leader from a non-aligned country, speak frankly to the Congress and to the public on these issues. If the Prime Minister could say to the Congress and on television some of the things he has been telling U.S. officials in Washington this week, this would be immensely helpful.

In response to my inquiry about his recent visit to England and the political situation in Great Britain, he replied that it had been a very dispiriting visit. The pound was in trouble, and the closing of the Suez and the balance of payments were problems of great concern to the Labor Government.

In answer to my question about possible devaluation of the pound, he stated that if the pound were to be devaluated, it would be the end of the Prime Minister, the Chancellor of the Exchequer, and most likely the Labor Government. He said the Labor Party was in a "soul destroying" phase. Wilson was "doing all bad, hurting his own supporters." "Labor," he said, was "not winning a chap from the other side."

"Britain," he said, "has never been more depressed." The Labor Party Conference was like "whistling through a cemetery."

Lee did say, however, that the recent Middle East conflagration may have been the last crisis, and if the pound is not devalued or revalued, that there may be a recovery in the late seventies.

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## 288. Editorial Note

Vice President Hubert Humphrey traveled to Malaysia after attending the inauguration of President Thieu and Vice President Ky in South Vietnam on October 30, 1967. On November 2 Humphrey met with Prime Minister Tunku Abdul Rahman and his Cabinet. The Prime Minister told Humphrey in this meeting that Malaysia was "keenly

interested" in Indonesia's economic recovery, but felt the Indonesians were not receptive to Malaysian offers of assistance. The Tunku suggested that some sort of international committee should be established to this end, and Humphrey agreed. (Telegram VIPTO 64/1728 from Kuala Lumpur; National Archives and Records Administration, RG 59, Central Files 1967-69, POL 7 US/HUMPHREY)

Also at this meeting, the Tunku raised the problem of the Philippines claim to Sabah, saying that Malaysia was not going to surrender part of its soil to a claim based on Spanish and American rulers nor after the Philippines waited 17 years to bring the issue up. Humphrey confided to the group that the Philippines press was keeping the issue alive and hoped that Malaysia would continue bilateral negotiations to resolve the issue. (Telegram VIPTO 65/1729 from Kuala Lumpur, November 2; *ibid.*)

Humphrey and Malaysian Cabinet members discussed economic problems, including increasing rice production, financing low cost housing, and the problem of rubber, especially in the face of synthetics. Humphrey encouraged the Cabinet to consider economic diversification. (Telegram VIPTO 66/1730 from Kuala Lumpur; November 2; *ibid.*) The Cabinet and Humphrey then discussed Vietnam at some length. The Tunku urged South Vietnamese-Viet Cong talks, which even if they failed would demonstrate South Vietnam's desire for peace. (Telegram VIPTO 67/1731 from Kuala Lumpur; November 2; *ibid.*)

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**289. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, November 1, 1967.

Your comments to the Malaysian Finance Minister about the need for more assistance in Viet-Nam generated some action.<sup>2</sup>

Through Secretary Rusk, the Malaysian Prime Minister has sent his assurances to you that Malaysia will not only continue to train South Vietnamese officers, but will increase the size of that program.<sup>3</sup>

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Vietnam, 5 D (2), Allies Troop Commitments and Other Aid, 1967-1969. Confidential.

<sup>2</sup> See Document 283.

<sup>3</sup> These assurances were contained in an October 13 note. (Johnson Library, National Security File, Country File, Vietnam, 5 D (2), Allies Troop Commitments and Other Aid, 1967-1969)

The Malaysians have also sent a note to the Department of State itemizing the assistance they have provided to South Viet-Nam.<sup>4</sup> Their contribution is considerably greater than was described to you in the meeting with the Finance Minister.

—Over 5,000 Vietnamese officers trained in Malaysia.

—Training of 150 U.S. soldiers in handling Tracker Dogs.

—A rather impressive list of military equipment and weapons given Viet-Nam after the end of the Malaysian insurgency (for example, 641 armored personnel carriers, 56,000 shotguns).

—A creditable amount of civil assistance (transportation equipment, cholera vaccine, and flood relief).

Our Ambassador to Malaysia, Jim Bell, is all revved up to work with the Malaysians on an increased program of training assistance for the Vietnamese. I expect there will be some developments on this within the next month or so.

Secretary Rusk undertook to convey the Prime Minister's assurances to you, and this memorandum is intended to discharge that undertaking.<sup>5</sup>

**Walt**

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<sup>4</sup> This note is dated October 17. (Ibid.)

<sup>5</sup> Rusk informed Ambassador Ong in an October 27 letter that he had conveyed the Prime Minister's assurances.

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## 290. Memorandum of Conversation Between President Johnson and Prime Minister Lee<sup>1</sup>

Melbourne, Australia, December 22, 1967.

Prime Minister Lee plunged in by telling the President that he had been in Cambodia to receive an honorary degree at the University; and Sihanouk had converted it into a big affair. At his arrival there were no representatives of Hanoi, NLF, or Communist China. At a banquet

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Conference Files, 1966–1972: Lot 68 D 453, CF 253. Secret. Drafted by Rostow. President Johnson and Prime Minister Lee were in Melbourne along with other foreign leaders and officials for the memorial service for Australian Prime Minister Harold Holt who disappeared while swimming at sea on December 17.

he had given a speech which was, for the setting, quite pro-U.S. The representatives of neither Hanoi nor the NLF walked out. At his departure there were representatives of both present at the airfield but not the Chinese.

This related, perhaps, to the fact that Hanoi now proposed to send a commercial delegation to Singapore. There is no longer any significant trade between Hanoi and Singapore because the U.S. has knocked out the cement factory and what they mainly bought from North Vietnam was cement. It is Lee's judgment they are sending this mission for three reasons:

- to demonstrate Hanoi is not Peking;
- to increase their propaganda conversance since Singapore is a good enough distribution point;
- perhaps for long run political purposes.

Lee said that when President Johnson won his election in 1968, Hanoi will talk. He could not prove that statement to anyone; and he was not given to emphatic statements. But he was prepared to stand on it. He sees a softening in Hanoi's general attitude. They could have treated him in Cambodia like a "cocker spaniel of imperialist U.S."; but they did not. They are leaving avenues open.

President Johnson asked how Prime Minister Lee had enjoyed his trip in the U.S. He said it was an intensive 10 days of education; but not always pleasant. He was shocked by the disloyalty of some of the youth he saw at Berkeley and by the fact they were simply dirty. Returning to his view of Hanoi, he said there would be no change until the U.S. had demonstrated its staying power to Hanoi.

The President said that only 17% of the American people wished to get out of Vietnam; 35% underwrote his moderate policy; but 45% want to do more—use more military force. The question is, assuming Mr. Nixon is nominated, where will the 17% go? To Nixon or to President Johnson? The second question is, will Nixon be able to pick up the whole 45%.

In general, the anti-Vietnam pressure on the President had been diminishing from roughly the time Prime Minister Lee came to the U.S. We have taken some strides in consolidating support.

Lee then observed that he found Senator McCarthy ambitious, rather intelligent, lazy, and interested in making jokes, rather than talking seriously.

The President then went on to describe the present state of Republican politics and the possible role in the campaign of the candidacy of former Governor Wallace. The President described his problem in Vietnam as how to steer between a Bay of Pigs withdrawal, on the one hand, and an avoidance of escalation and widening of the war, on the other.

Lee repeated: If you demonstrate your staying power, they will talk. I stake my credibility on that proposition. I have found that it is always best to speak the truth.

The President said we shall not compromise or trim in looking for an honorable peace.

The meeting ended with the Prime Minister wishing the President well in the 1968 election.

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**291. Telegram From the Embassy in Singapore to the Department of State<sup>1</sup>**

Singapore, January 3, 1968, 0540Z.

1112. 1. In 1967 some striking changes have been set in motion in Singapore and I thought I would submit the following résumé of the more salient of these and meaning as I see it.

2. Announced UK intention to run down its military presence here by half in next three–four years and altogether by mid-1970's. Despite adverse economic impact which loss of British presence threatens to bring, GOS professes not to be so concerned about economic results of British withdrawal (flow of Hong Kong capital, revival of Indonesian trade, success in attracting foreign investment into new Jurong industrial complex and belief they can develop foreign markets make GOS confident they can maintain economic growth, which continued in 1967 above eight percent, and finesse their unemployment problem). GOS most concerned about political and security problems that may develop as British leave. I believe this GOS concern is sound and that if British pull out completely before late 70's, some alternative to British military presence will have to be found if Malaysian-Singaporean stability is not to be endangered.

3. Establishment of diplomatic relations between Indonesia and Singapore and restoration of trade to pre-confrontation level. Resurgence of travel and commerce between Indonesia and Singapore, much of it still unregulated from Indonesia's viewpoint, is boon to both but until greater control of the illegal practices can be implemented between

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL 2 SINGAPORE. Secret; Exdis. Repeated to Canberra, Bangkok, CINCPAC also for POLAD, Djakarta, Hong Kong, Kuala Lumpur, London, Manila, Moscow, New Delhi, Rangoon, Tokyo, Vientiane, and Wellington.

the two countries there is always danger that Indonesian resentment of Singapore and of Chinese who dominate in the trade will again become an Indonesian obsession detrimental to both.

4. Establishment of border crossing control and separate currencies by Malaysia and Singapore. While these additional steps of separation between these formerly federated and still interdependent countries have created some additional impediment to travel and trade, the effect does not seem yet to have been serious. Should a differential develop in the value of the respective currencies negating interchangeability there would be some additional awkwardness but it would not be insurmountable. Coolness between respective governments, especially Prime Ministers, continues, indicative of suspicions with which Tunku and some of his cohorts regard Lee and reflective of Lee's unfortunate tendency to make negative noises (happily not in public in recent months), about Tunku, his government and the Malays. If Malaysian economy should deteriorate seriously and Singapore continue to prosper to point of strikingly invidious comparisons, I would expect relations between two countries to worsen as result.

5. Establishment of trade missions by and expansion of trade and diplomatic relations with Eastern European and other Communist countries. Implementing their credo of trading with all (who will give them acceptable terms), Singapore greatly extended the nexus of relationships with Communist countries in 1967. There is every evidence that GOS is well aware of the political trickery that may lurk behind the exchange, however, and that they are on guard. Because the left wing in Singapore appears to be relatively less disaffected and better disciplined than in Malaysia and because communal relationships here also seem less volatile—hence less exploitable by the Communists—I regard the presence of a Soviet mission in Singapore as potentially far less dangerous than in Kuala Lumpur.

6. Growth of Singapore as buyer of and entrepot for Chinese Communist goods. Partly as result of troubles in Hong Kong, Singapore trade with China expanded markedly in 1967. ChiComs have offered easy credit terms through Bank of China for an ever greater variety of goods at extremely cheap prices and have subsidized rent of outlets. As a result, several new, so-called "emporia" devoted exclusively to the sale of these goods have been set up and the variety and quantity of food, clothing and other articles offered have found increased demand among Singapore's largely Chinese population. Singapore has also served increasingly as trans-shipment point for these goods to neighboring countries and has emerged as the biggest foreign exchange earner for Communist China next to Hong Kong. Perhaps rationalizing fact that these goods help Singapore hold line on wages, GOS professed not to be worried about potential for blackmail that may lurk in local



dependence on ChiCom made goods. I am worried about long-term effect of this.

7. Further consolidation of Lee's People's Action Party control. The Peking-Lining Barisan Sosialis Party (BSP) abandoned parliamentary and electoral competition and turned to a program of street demonstrations which signally failed to accomplish anything except add to Singapore's prison population. This due in part to curious failure of BSP to address itself to real local issues and in part to effectiveness of Singapore police controls. At same time, GOS crippled BSP allies in the trade union movement by eliminating left wing unions. These developments left PAP power at highest point ever and contributed to its objective of creating "tightly knit" and "rugged" society that Lee sees as essential if Singapore is to survive critical decade ahead. But despite success, Lee remains concerned over increasingly serious unemployment problem and implications for Singapore of possible revival Communist insurgency in Malaysia. Communal strife that broke out in Malaysia in November in wake of controversy over devaluation regarded by GOS as indicative of dangers that lurk among disgruntled elements of Chinese community in Malaysia. They blame GOM for mishandling communal problem but despite these worries and although he has to take care that he does not offend the more China-oriented Chinese in Singapore, Lee strengthened his political control in 1967 and the fate of Singapore, so far as anyone in Singapore can decide it, is very much in his hands.

8. Happier notes in context GOM/GOS relationship emerging in 1967 were: (a) close cooperation at working level by security forces Malaysia and Singapore, especially during riots in Penang, (b) possibly as result of riots and of security problems expected to follow British military pullout, there seems to be renewed realization of interdependence in matters of security by both Malaysian and Singaporean leaders, (c) both sides appear to be thinking in terms of future cooperation, perhaps along with Australia and New Zealand, in defense.

9. Assignment Singapore's first Ambassador to U.S. in March and Prime Minister Lee's visit to U.S. in October. These were only part of growing evidence of greater acceptance and approval of U.S. by GOS in 1967. Although he did some public backtracking upon his return from U.S. visit (revealing, I believe, sensitivity of less assimilated elements among Singapore's Chinese community and of his own only indirect and tenuous personal rapport with them), Lee has continued privately to express his unequivocal support for U.S. defeat of Communist aggression in South Vietnam.

10. Singapore's joining with Thailand, Malaysia, Indonesia and the Philippines to form ASEAN. This was only part, though most important, evidence thus far that Singapore is placing its long-term

bets for survival on regional cooperation with its neighbors. But GOS puts little faith in regionalism as short-term answer to Singapore's economic or security problems or, for that matter, Southeast Asia's.

11. Lee's visit to Cambodia in December, designed partly to burnish his non-aligned image after his forthright statements on Vietnam in the U.S., and partly to try to encourage Sihanouk to look more favorably on regional association. I believe evidence suggests that while Lee's *tete-à-tete* with Sihanouk may have made some superficial contribution to Lee's non-aligned credentials, his divergence with Sihanouk on important issues like U.S. presence in Vietnam and regional association with U.S. allies like Thailand, and Philippines was made more manifest by their exchanges.

12. Dramatic change in Lee's attitude toward U.S. Although Lee Kuan Yew has not entirely given up hope that something will happen to hold some British military presence in Singapore, he is not planning on it. He is aware that Singapore's security as a non-Communist entity depends more and more on presence of U.S. military might in Southeast Asia. Evidence accumulated during year suggests that Lee was toying very much with idea of trying to clear new path that would eventually lead to U.S. assumption *de facto* British protective relationship with Singapore, that he got well out ahead of an important segment of his Cabinet and constituents in this respect, and that he has accordingly revised his estimate of the time required to overcome Chinese antipathy in Singapore to anything, such as alignment with U.S., that would suggest that Singapore is taking sides against China. Lee's remark to me (Singapore tel 1050)<sup>2</sup> that his generation can prepare the way for a close relationship between the U.S. and Singapore but that it will be the next generation which can implement and realize the full import of it, was revealing in this respect. Although Lee shares some of the ethnic resentment of indignities inflicted by the West on the Chinese nation in the past, his behavior in 1967 suggested strongly that he is in most other respects pro-West in outlook. In some of his public off-record talks in U.S. and in private then and since, Lee has come as close to declaring his personal support for President Johnson as South-east Asian leader professing non-alignment could be expected to do.

**Galbraith**

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<sup>2</sup> Dated December 20, 1967. (Ibid., POL 17-4 SINGAPORE)

**292. Memorandum From the Assistant Secretary of State for East Asian and Pacific Affairs (Bundy) to President Johnson<sup>1</sup>**

Washington, December 10, 1968.

**SUBJECT**

Your Meeting with Lee Kuan Yew

Lee wishes to convey his admiration for your whole conduct of policy in Southeast Asia and also for your personal sacrifice of March 31. He doubtless recalls vividly your meeting with him in Melbourne, at which you reviewed the political prospects with some frankness, told him the Republicans would nominate Mr. Nixon, and pretty clearly hinted that you thought you could beat him. Lee probably agrees.

No doubt he would again be fascinated by a frank personal forecast of how the Nixon Administration, and above all, the American public will be looking at Southeast Asia in the next few years. He thinks—and probably rightly—his own life and future depend on that judgment. Past experience should give you confidence that he will keep what you say wholly to himself.

More specifically, the British decision to pull out of Malaysia and Singapore after the end of 1971 came after your Melbourne meeting, and has preoccupied him all through the year. He thinks, as we do, that a clear Australian stand, including the willingness to keep limited ground forces in the area, is the key to post-1971 security for him. And he is as baffled and dubious about Prime Minister Gorton as we are. I probed him at length on this when I saw him in Cambridge two weeks ago, and he came up with one interesting thought—that a continuing American military presence in Thailand would go very far to convince Gorton that he had to do his share in Malaysia and Singapore. The latest we ourselves have on this is that the Australians have made a general decision for a “forward strategy” rather than a “Fortress Australia” view; however, this appears to be very general, and he would

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL SINGAPORE–US. Secret; Eyes Only. Lee Kuan Yew was on a 2-month unofficial vacation/sabbatical in Canada and the United States from mid-October to mid-December. Rusk recommended that, as a matter of courtesy and gratitude for Lee’s support on Vietnam, the President see him. (Memorandum from Rusk to Johnson, December 4; *ibid.*, POL 7 SINGAPORE) Rostow also sent the President a briefing memorandum based on this memorandum by Bundy. Rostow suggested that Johnson should congratulate Lee on the economic success of Singapore and the increased American investment there and tell him that U.S. military forces were beginning to use Singapore’s repair facilities on a commercial basis. (Memorandum from Rostow to Johnson, December 10; Johnson Library, National Security File, Country File, Singapore, Vol. II, 8/67–12/68)

doubtless welcome a frank exchange on what goes on in Gorton's mind—as if anybody knew.

Another possible topic might be the future of ASEAN in view of the spat between Malaysia and the Philippines over Sabah. Again, his thinking is like ours—that Marcos has made a fool of himself—and his government has expressed blunt support of Malaysia's position. The question is how to get Marcos off the hook and who can help.

In general, Singapore under Lee is continuing to do a superb job, and in the past year has scored some outstanding successes in attracting American investment. He thinks this is fine, and is also most anxious to have our Navy and Air Force use his repair facilities on a commercial basis. We have started this, and it is going satisfactorily.

You should know of one minor issue, although I doubt very much that he would raise it. Singapore (and the Philippines as well) wants a license to manufacture the AR-15 rifle—the commercial version of the M-16. Secretary Clifford has reservations about this, and we have not come to any decision. In the remote event he raises this, I believe you should be sympathetic but noncommittal.

On my observation and by all other accounts, Lee is in a relaxed and forthcoming mood. He should be good value.

On press handling, Lee understands that his call is being made public. However, he would strongly prefer *not* to be exposed to the press for the purpose of making any remarks. This is in line with his unofficial status, which he has observed with the greatest care in the month he has been here.

**William P. Bundy**

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### 293. Editorial Note

Prime Minister Lee Kuan Yew met with President Johnson on December 10, 1968, from 5:25 to 6 p.m. with William Bundy and Malaysian Ambassador Ong present. William Bundy sent Ambassador Galbraith a personal and eyes only letter, December 12, describing the conversation. Bundy's account reads as follows:

"In the talk with the President, Ong and I were also present, although I had thought the President would wish to see him dead alone. The talk started a little slowly, but finally became quite relaxed and the President engaged in a considerable amount of personal reflection and reminiscences but also in some serious questioning of Lee about Singapore and Southeast Asia. Lee readily handled his end beautifully, with just the

right amount of sincere praise for the President's guts and determination, and a very frank and clear statement of how vital our sticking in Vietnam remained in his judgment. He also threw in some useful comments on Gorton and, for good measure, on Sihanouk—to the general effect that the latter readily depended on us just as much as everyone else in the area, even though he would hardly show it.

"However, I must tell you in the utmost confidence that some of the President's remarks may have left an unfortunate impression about the firmness and resolve of the new Administration. The President said that he had no doubt whatsoever of Mr. Nixon's personal views and intentions, but he then went on to say that he doubted very much that Mr. Nixon would stand up to the 'soft' advice he would get from the new Secretary of State, Rogers, from Laird, and in general from the 'soft liberals.' The net impression can well have been that Mr. Nixon would end up doing just about anything to get out of Vietnam on any terms at all, and that his standing in Southeast Asia was open to grave doubt. Quite frankly my own impression was that the President was indulging in the kind of disparagement of any successor that I have sometimes heard—in similar periods—from other senior officials. There was a good deal of the tone of 'I am a giant, and these men are pygmies.' It may or may not turn out to be true, but I am not sure that Lee discounted it to the extent that I personally would do as of now.

"Into the bargain, the President made some very uncomplimentary remarks about Mr. Humphrey's campaign speeches on the bombing, and this too may have left the impression that Mr. Humphrey and the dominant wing of the Democratic Party were ready to pull the plug in Southeast Asia. I injected myself once or twice to demur on this, but I doubt if I countered the impression the President was leaving. Nor do I think I was able to do so afterward—by further corrective efforts—believing as I do that Mr. Humphrey would in the end be at least as firm as Mr. Nixon, and that both would stand up to a considerable degree to the kinds of pressures that anyone can see.

"The point, of course, is that Lee may well be putting together his Harvard experience and what the President told him, into a very gloomy forecast indeed of future American intentions in Southeast Asia—and this is the serious possibility that warrants my telling you what was said.

"However, as I write this, there is one card left to be played, and that is his talk with Kissinger tomorrow. I myself am seeing Kissinger on other matters tonight, and will tell him quite frankly that he has a job to do—although I would not suggest that he give any flat assurances." (Department of State, Bundy Files: Lot 85 D 240, Private Correspondence with Ambassadors)

No record of Kissinger's conversation with Lee has been found.

# Philippines

## 294. Editorial Note

On January 13, 1964, at 1:11 p.m., President Johnson telephoned his Special Assistant for National Security Affairs, McGeorge Bundy, and asked his opinion of appointing the former Governor of New Jersey, John Meyner, as Ambassador to the Philippines. The President and Bundy discussed Meyner's qualifications. The President then asked: "How sensitive is the Philippines post?" McGeorge Bundy replied:

"Very. But the principal thing in the Philippines is to establish a working personal relationship with Macapagal. Professional staff can be provided underneath it. That is where Stevenson has failed, and where I think Meyner would have a much better chance for success. He is temperamentally much more an outgoing man than his father-in-law [current Ambassador William E. Stevenson was Meyner's father-in-law]."

Bundy and the President next discussed the possible reaction to Meyner's appointment. Bundy promised to "take a temperature" reading at the Department of State "in an innocent way." The President warned him not to mention Meyner's name to anybody because he was "just so damned afraid it will be in the paper." (Johnson Library, Recordings and Transcripts, Recording of Telephone Conversation between the President and McGeorge Bundy, F64.05, Side B, PNO/3) William McCormack Blair, Jr. was appointed Ambassador to the Philippines on June 8, 1964.

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## 295. Memorandum of Conversation<sup>1</sup>

Washington, July 9, 1964, 5:40 p.m.

### SUBJECT

Philippine Contribution to Defense of Viet-Nam Discussed at Ambassador Ledesma's Presentation of Credentials

### PARTICIPANTS

The President  
His Excellency Oscar Ledesma, Ambassador of the Philippines

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<sup>1</sup>Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 17-1 PHIL-US. Confidential. Drafted by Barnett and approved by the White House on July 15. The meeting was held at the White House.

Angier Biddle Duke, Chief of Protocol  
Robert W. Barnett, Deputy Assistant Secretary, FE

At 5:40, July 9, Mr. Duke escorted Ambassador Ledesma into President Johnson's office for presentation of credentials. The President greeted Ambassador Ledesma warmly and the Ambassador said he was under instructions to make two points. He brought, he said, from President Macapagal an expression of satisfaction at the warm relations which existed between the Philippines and the United States. He said that President Macapagal was most grateful for President Johnson's invitation to visit the United States and hoped to accept this invitation as soon as possible.<sup>2</sup> Ambassador Ledesma then stated that the Philippine Government had just decided to enlarge its assistance program for South Viet-Nam and to appropriate over 900,000 pesos for that purpose. President Johnson asked what projects were to be financed. Ambassador Ledesma mentioned psychological warfare specialists, medical teams, and community development teams. The President said that he was glad that the Philippines would be "showing its flag" and inquired how many persons would be involved in the programs. Ambassador Ledesma said that he would inform the President as soon as he could determine the numbers.

Pictures were taken and the meeting terminated.

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<sup>2</sup> On July 28 Thomson informed McGeorge Bundy that "a Macapagal visit involves certain problems: his 1962 visit was canceled at the time of the war damage ruckus; his opponents are critical of his recent foreign wanderings; and he has publicly announced that he doesn't plan to come to the U.S. before the elections. The Philippine desk is very hesitant to propose a pre-election visit." Komer wrote the following note on the memorandum: "I've told Marshall Green to generate for OK here a cordial invite to Macapagal for *October*, unless *strong* reasons why not. But he, like yours truly, can't see what this does for LBJ." (Memorandum from Thomson to Bundy, July 28; Johnson Library, National Security File, Country File, Philippines, Vol. I, 11/63–11/64)

## 296. Memorandum From Secretary of State Rusk to President Johnson<sup>1</sup>

MAL/PBM-1

Washington, October 2, 1964.

### VISIT OF PRESIDENT MACAPAGAL October 5-7, 1964

#### SUBJECT

Your Meetings with President Macapagal<sup>2</sup>

#### A. President Macapagal

Macapagal is both *pro-American* and a *Philippine nationalist*.

At 54, he has led his country for almost three years during which he has shown greater *interest in regional and international affairs* than any of his predecessors. He has *supported us in the important areas* (operation of our bases in the Philippines, Vietnam) but at times his *nationalism has led him to follow less constructive lines* (his earlier Indonesian policy, claim to Sabah or North Borneo). In the *past year, he has shown considerably more responsibility than in his first years in office*.

He has been *only moderately successful with his domestic programs*, which emphasize economic and social *reform*, and he must cope with an *uncooperative Congress, resistance from powerful vested interests and poor public support*.

Of very humble origin, he is extremely *sensitive and prestige conscious* and is *not particularly warm or genial*. His *wife wields considerable influence over him*.

He visited the United States as Vice President in 1960. *You met him in 1961 on your world trip and at President Kennedy's funeral*. Mrs. Macapagal was here last month to place their daughter, Gloria, (17) in Georgetown University.

#### B. His Objectives

1. To *establish for domestic Philippine consumption that he is a close friend of, well regarded by, and an equal partner with the United States*

<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL. Secret. Drafted by Ballantyne and cleared by Green, Barnett, Cuthell, and Miller; also cleared with DOD/OSD/ISA, AID, Commerce, L/FE/SPA, and E/OR and E/AN.

<sup>2</sup> In telegram 394 from Manila, September 11, the Embassy provided its view of what a Macapagal visit to Washington should accomplish. In general, the Embassy suggested, it was "an opportunity for the two Presidents to know each other better," to reaffirm their countries' close relationship, and to demonstrate to the world, especially the rest of Asia, their identity of interests. (Ibid.)



*President. To bear this out, he requires some tangible signs of our trust and esteem. He will attach importance to the commitment from us to supply P.L. 480 rice next year.*

*2. To reiterate his support for United States policies in Asia and to volunteer new support.*

*3. To explain his disillusion and apprehension regarding Sukarno and obtain increased military assistance to bolster Philippine southern defenses against potential Indonesian subversion.*

*C. Our Objectives*

*1. To reassure him as to our policies, purposes and determination.*

*2. To promote close U.S.-Philippine cooperation in defense and world affairs, especially toward Communist China, Indonesia, Malaysia, Vietnam and Laos.*

*3. To express our concern over the threat to established American investment in the Philippines posed by the Retail Trade Nationalization Law.*

*4. To indicate explicitly our commendation for Philippine efforts to introduce social reform in their society. To suggest discreetly our friendship for Macapagal.*

*D. Major Topics of Your Talks Are Expected To Be:*

*1. Vietnam*

*A memorandum on this subject will be submitted separately.<sup>3</sup>*

*2. Indonesia and Military Assistance*

*Macapagal may stress the Philippines has recently undergone a dramatic shift in attitude toward Indonesia and describe the importance he attaches to increasing Philippine military strength in Mindanao, the large southern island, to discourage known Indonesian penetration. He may ask for a sizeable increase in our military assistance program to support his southern defenses.*

*You should express our concern regarding Indonesian expansionism, and note our efforts to restrain Sukarno and the determination of the British to retaliate if mainland Malaysia is again attacked. Our bilateral defense agreement with the Philippines serves to insulate the Philippines from overt attack from Indonesia, and we agree the Philippines should improve their military posture in the south to withstand and control subversion. His defense advisers are in touch with ours on this and we are prepared to re-examine the existing military assistance program and consider specific Philippine suggestions or requests. We would be interested in knowing what the chances are of increased Philippine budgetary support for its armed forces.*

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<sup>3</sup> Not found.

### 3. Malaysia

Macapagal may explain his latest efforts to resolve the dispute between Malaysia and Indonesia through the medium of an *Afro-Asian Conciliation Commission*, and describe his claim to Sabah (or North Borneo).

You should express appreciation for his efforts and the hope the Philippines will soon restore diplomatic relations with Malaysia. You should also mention that the Malaysians will understandably insist that attacks against them cease and Indonesian guerrillas be withdrawn before they accept the *Afro-Asian Conciliation Commission*. Suggest you not comment on the North Borneo claim, a dispute between two of our friends.

### 4. United States-Philippine Relations

#### a) Rice

Macapagal will raise his need for P.L. 480 rice.

You should reply that despite limited availabilities of rice, we are prepared, on the basis of Philippine need, to extend to him in 1965 100,000 tons of rice under P.L. 480, Title I, on same basis as the 1964 transaction except for certain minor changes (such as in the handling of freight charges) required by recent legislation.

#### b) Operation of Our Military Bases

Macapagal may suggest a revision of the military base agreement be undertaken quietly, through diplomatic channels.

You should tell him that we are prepared to consider this suggestion and that we are making every effort to assure that he is informed regarding the use of our bases in this critical period.

#### c) Civil Aviation

Macapagal may express both concern over this and the hope that Philippine Air Lines be permitted to fly a route from Manila through Tokyo to California or Seattle.

You should state that we share Macapagal's concern over the unresolved aviation problems between our two countries and we are prepared to sit down with the Philippines to negotiate. If agreement could be reached on general principles (on rates, capacities and undertakings not to apply unilateral restrictions) and if a Manila-Tokyo-Seattle route—in addition to the route currently operated by Philippine Air Lines—is acceptable to the Filipinos, we believe a successful negotiation is possible.

#### d) Sugar

Macapagal may ask for a larger sugar quota.

You should be noncommittal, noting congressional legislation is required.

#### e) Veterans Claims; Omnibus Claims

Macapagal may propose a Joint Committee to look into the level of payment of veteran benefits. You should discourage him if he specifically

mentions the *Omnibus Claims*. (FYI: We would not get congressional support for these, particularly after the history of the War Damage legislation.)

f) *Special Fund for Education*

Macapagal may propose that the fund be used in support of the training aspects of the land reform program.

You should explain that the full amount of this fund will not be known until the end of the year and express your interest in having it used in the Philippines for projects which will reflect credit on both Presidents—who are specifically responsible for it—and which will leave a lasting mark on Philippine society. We are prepared to examine a proposal that the fund be used to support training in land reform and perhaps devote a portion of the fund to this purpose.

You should also note that we would welcome Philippine suggestions as to how expenditures under the fund can be audited so as to satisfy the reasonable interest of both the Philippine and American Congresses.

g) *Threat to American Investment from Retail Trade Nationalization Law*

(You should raise this if Macapagal does not.)

You should observe that American marketing operations in the Philippines are valued at hundreds of millions of dollars and express your appreciation for his personal efforts to prevent the Retail Trade Nationalization Act from interfering with them. You should also state for the record our concern regarding this continuing threat to long-established United States business operations in the Philippines posed by the application of this legislation, and our confidence that the Philippine Government will abide by its long-standing commitments to us. It would be politically difficult for the Executive Branch to sponsor any major legislation favorable to the Philippines (sugar, coconut oil) in the United States Congress until this problem is resolved. We hope that this matter will soon be resolved so that it will not disrupt the mutually beneficial trading relations between our countries.

h) *Laurel–Langley Agreement* (also known as the U.S.-Philippine Trade Agreement of 1955)<sup>4</sup>

Macapagal may raise this and give Philippine views regarding its future and a possible extension.

You should note the importance this agreement has to commercial relations between the two countries, mention you are aware a possible renegotiation of the Agreement has been considered by various groups in the United States and the Philippines. The matter needs further study before we

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<sup>4</sup> Signed in Washington on September 6, 1955. (6 UST 2981)

*can take a position, but we are always willing to discuss with his representatives any proposals they wish to make.*

I am prepared to brief you further on this visit at your convenience, perhaps on Saturday.

**Dean Rusk<sup>5</sup>**

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<sup>5</sup> Printed from a copy that bears this typed signature.

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**297. Note From Robert W. Komer of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, October 2, 1964.

Mac—

I'm getting cold feet about helicopter deal.<sup>2</sup> Original estimate given us of \$20,000 was very austere. To plush up one like Sukarno's could cost over \$100,000. Moreover, Fils know two choppers are included in MAP for anti-smuggling operations; ergo, we might have to replace the plush job to a tune of \$350,000. DOD thinks this would probably be necessary, State pooh-poohs it.

Half a million for a present would still be useful if we got a quid pro quo. But we are becoming less enamored of Macapagal's grand proposal. He requires Congressional OK to send troops out of country and opposition is about as strong as he is.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Macapagal Visit, 1964. Secret.

<sup>2</sup> In a September 28 memorandum from Read to McGeorge Bundy, the Department of State recommended that one of the helicopters due to be delivered to the Philippines under the Military Assistance Program could be "plushed up" at the cost of \$20,000 and serve as an executive helicopter for President Macapagal who had indicated a desire for such an aircraft. The Department noted that the United States had given one to Sukarno, and in this instance, it would be in appreciation of "our *real* friends." The memorandum also recommended that Johnson accompany Macapagal to the Tomb of the Unknowns and John F. Kennedy's grave at Arlington National Cemetery. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL)

Have we said anything to the President yet?<sup>3</sup> Bear in mind that while chopper will make visit much more friendly, we won't be able to parley it directly for any increased help.<sup>4</sup>

**RWK**

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<sup>3</sup> To this question Bundy wrote in the margin: "No."

<sup>4</sup> Bundy wrote the following note at the end of the memorandum: "O.K. Cool off chopper."

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**298. Memorandum From Secretary of State Rusk to President Johnson<sup>1</sup>**

Washington, October 3, 1964.

**SUBJECT**

Increased Philippine Participation in Viet-Nam

*Macapagal's Proposal*

On September 22 Macapagal told [*less than 1 line of source text not declassified*] that he expected to discuss the Viet-Nam situation with you, that he thought it was approaching "desperation," and that he thought part of the trouble might be that the American advisers and military units, being "Westerners and white men," seemed to the Vietnamese little different from the French and are consequently unable to "convey a sense of common purpose to them." He suggested that the 16,000 American soldiers in Viet-Nam be replaced by an equal number of Filipinos and Thais. He recognized that "massive logistic support and ultimate control must remain in American hands." He said he was confident of obtaining Congressional support if Philippine participation were not unilateral but shared with the Thais. Macapagal concluded that he did not wish to seem critical of our present policy and,

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. I, 11/63–11/64. Secret. This memorandum was sent to the White House under an October 3 covering memorandum from Read to Bundy.

therefore, wished advice as to whether he should raise the subject with you.<sup>2</sup>

### *Our Assessment*

We are not sure of Macapagal's motivation in making this offer. We are aware of the shortcomings of the Philippine armed forces, and are doubtful that Macapagal could obtain Congressional backing for a venture of this sort. Nevertheless, we believe that Macapagal's proposal might be developed into real and active Philippine participation in support of the GVN. Macapagal seems to be sincerely concerned about the Viet-Nam situation; we believe that Philippine political leadership could be brought to support a substantially higher level of Philippine involvement, and that the problem is to devise levels and forms of participation which are tenable in terms of Philippine capabilities and acceptable to Philippine public opinion.

### *Philippine Capabilities*

Given the above criteria, we believe the Philippines could produce forces such as the following:

- A. Aircraft crews for support of the Viet-Nam Air Force.
- B. Special Forces company.
- C. Engineer platoons (up to 6).
- D. Medical platoons (up to 3).
- E. Personnel in such technical fields as signal, ordnance, transportation, and maintenance.
- F. Marine/Navy personnel to assist the South Vietnamese in junk fleet training and similar maritime counter-insurgency operations.

We understand that use of any of the foregoing outside the Philippines would require Philippine Congressional authorization. In addition, however, the Philippine Government could produce without specific Congressional authorization (if funds were available):

- G. Significantly increased numbers of civilian medical, engineering, and construction personnel and a variety of specialists to work in the civic action field such as agricultural experts. The Philippines could also contribute fertilizer.

### *Financing*

1. The current Philippine budget will not cover the increased costs required for these activities. We are sure that Macapagal will expect the United States to provide the necessary financing.

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<sup>2</sup> [text not declassified]

2. We expect that, in addition to requesting us to finance Philippine activities in South Viet-Nam, Macapagal will use his proposal as a point of departure for further requests for significant increases in our MAP aid.

#### *Saigon Reaction*

Asked to comment on the Philippine capabilities listed above, Embassy Saigon has replied that any or all would be most welcome and has added that Filipinos already in the country are working out well.

#### *Bangkok Reaction*

Embassy Bangkok believes it is most unlikely that the Thai would be willing to go along with Macapagal's proposal. The Embassy believes, however, that the Thai can be encouraged to increase economic aid considerably and, with proper handling, to augment their military assistance somewhat.

#### *Talking Points*

We believe Macapagal will be raising his proposal with you, and indeed Ambassador Blair will be suggesting to him that he do so. I suggest that you reply along the following lines:

1. We are delighted that Macapagal agrees with us in his assessment of the importance of Asians helping Asians in Viet-Nam. We have been most impressed by the ability and devotion of the Filipinos already in Viet-Nam. The nature and depth of our commitment in Viet-Nam is such that we cannot, however, take action which appears to constitute American withdrawal or lessening of interest, as this would be misread in Viet-Nam as well as by the Chinese and others.

2. At the same time, we believe the Philippines could make an important contribution by committing Philippine armed forces, in addition to making a significant increase in civilian participation in support of civic action.

3. Work on this should be done very quietly and, if Macapagal agrees in principle, you and he will instruct your representatives to get together to prepare detailed plans. You would hope that the subject could be discussed further at your second meeting.

4. If Macapagal raises the question of United States financing for increased Philippine activities in Viet-Nam or of increased MAP, you should tell him that in principle the United States will be willing to help out with respect to financing the activities in Viet-Nam, but you should give him *no* encouragement with respect to increased MAP.

These subjects should be discussed by your respective staffs in the course of preparing the detailed plans mentioned above.

The Department of Defense concurs in this memorandum.<sup>3</sup>

**Dean Rusk**

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<sup>3</sup> The Joint Chiefs of Staff informed McNamara in JCSM-347-64, October 3, that, "since neither Thailand nor the Philippines has an industrial base, their contributions, especially in economic and social fields, must be largely in terms of personnel and skills." The JCS recommended contributions in civic action and counterinsurgency operations, and noted that both Thailand and the Philippines would regard these contributions as a basis for increases in their U.S. Military Assistance Program. The Joint Chiefs stated that replacement of U.S. military personnel in South Vietnam by Thai and Filipino military personnel was "impractical." (Department of Defense, Joint Chiefs of Staff Files, Official File, 9150 (1 Oct 1964))

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## 299. Memorandum From Robert W. Komer of the National Security Council Staff to President Johnson<sup>1</sup>

Washington, October 5, 1964.

*Talking Points for Macapagal.* He clearly expects that Vietnam will be uppermost on your mind, and will probably make his offer to help. We want to embrace enthusiastically the idea of more Fil aid, but steer him on to Rusk and McNamara on the more dubious specifics.

Since these people are [*less than 1 line of source text not declassified*], I'd urge you have at least Bill Bundy or Blair in the room, both to protect your flank and to give us a quick readout for the talks to follow.

1. *Vietnam.* We're determined to see this through (a firm line will reassure Macapagal). Depth of our commitment is such that we couldn't appear to be pulling out. This would be misread in VN as well as by Chicoms.

2. But we enthusiastically agree that there should be more Asians helping Asians. We're impressed with performance of Fils already there, and would warmly welcome more. The two governments should get together and prepare detailed plans.

3. *Indonesia-Malaysia.* Flatter Macapagal by frankly asking his advice on how to keep this dispute from blowing up.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. I, Memos, 11/63-11/64. Secret.



4. We appreciate Fil mediation on Malaysia dispute and agree with idea of "Asian" solution. But we can see why Tunku insists Sukarno stop attacks and pull out guerillas first. We hope Fils will restore diplomatic relations with the Tunku. *No comment* if he brings up Fil claim to N. Borneo.

5. If he switches to *Indo threat to Philippines*, we think that our bilateral defense agreement and Seventh Fleet will insulate Fils from overt attack. As to *subversive threat*, we agree Fils should strengthen their defensive posture in South. Let's consult on this, but Fils too must help by more budgetary support for their own forces. We hope to avoid the big new MAP commitment Fils want.

6. *Rice*. Our supply is limited, but we can provide 100,000 tons on same basis as 1964 except for minor changes required by new PL 480 law (e.g. freight charges).

7. We want to complain about threat to US investment from new Fil *Retail Trade Nationalization Law*. He's on our side, but should be told that this law jeopardizes long-established US businesses in Philippines. We couldn't get any legislation favorable to Fils through Congress if this is not settled.

8. If he raises our *base rights*, we'll consider any proposition he has.

9. If he raises *new air route*, we're prepared to negotiate and think Fils could have a Manila-Tokyo-Seattle route *if* agreement can be reached on rates, capacities, no unilateral restrictions, etc.

10. *On veterans claims*, we'll buy a joint committee but want to discourage him on Omnibus Claims.

11. If he wants the *special education fund* set up under the new War Damage law to be used in his land reform program, we'll look at this carefully. We need suitable auditing procedure to satisfy both Congresses however.

12. If he raises *Laurel-Langley trade agreement* (parity clause protecting US business operations is now under fire), we're prepared to study any proposals Fils may have.

After the meeting, we have the boat ceremony in Fish Room with press and guests.

**R. W. Komer**

N.B. Special warmth to this highly sensitive man is as important as what we can give him. With some discreet hints from us, he's going to laud our VN role in speeches here.

**300. Memorandum of Conversation<sup>1</sup>**

Washington, October 5, 1964, 5 p.m.

**SUBJECT**

1. Philippine Assistance in South Viet-Nam, and Philippine MAP Requirements.
2. Rice.
3. Special Fund for Education.
4. Retail Trade Nationalization Act.

**PARTICIPANTS**

The President  
President Macapagal of the Philippines  
Philippine Ambassador Oscar Ledesma  
Mr. William P. Bundy, Assistant Secretary for Far Eastern Affairs

(The two Presidents had had a private conversation before Ambassador Ledesma and Mr. Bundy joined them. Matters of substance discussed in this shorter conversation are believed to have been reviewed in the larger group.)

*1. Philippine Assistance in South Viet-Nam, and Philippine MAP Requirements.*

President Macapagal stated that the Philippines were ready to send to South Viet-Nam trained personnel in public health, medical, engineering, and military special forces, "as many as useful." In response to Mr. Bundy's inquiry whether the President had any specific number in mind, President Macapagal stated that this should be worked out with the American authorities.

President Macapagal stated that with such increased Philippine participation they would wish to have at least "some sprinkling" of additional Thai participation. He implied that it would be difficult for the Philippines to take these further steps unless another Asian country were participating.

President Johnson responded that this offer would be very sympathetically received and said that an announcement to this effect by the Philippines would be most helpful. President Macapagal agreed to such an announcement (no time specified).

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. I, Memos, 11/63-11/64. Secret. Drafted by Bundy and approved by the White House on October 9. According to the President's Daily Diary, Johnson and Macapagal met alone in the President's office in the White House from 5:01 to 5:15 p.m. They were then joined by William Bundy and Ledesma and the meeting lasted until 5:31 p.m. (Ibid.)

President Macapagal then alluded briefly to the cost of sending these men and then, at more length, to the question of Philippine military assistance needs. President Johnson responded that he had discussed the latter problems with Secretary McNamara, and that Secretary McNamara would be prepared to go into it in detail with President Macapagal in their appointment on the following day.<sup>2</sup> President Johnson stated that “we think we can be helpful”, but otherwise left the matter to the discussion with Secretary McNamara.

2. *Rice.*

President Macapagal explained the serious Philippine need for rice, and President Johnson immediately responded that we were prepared to furnish 100,000 tons on a mutually agreeable basis. President Macapagal showed clear pleasure at this statement and the matter was left at that.

3. *Special Fund for Education.*

President Macapagal alluded to the \$25 million that might be available for educational purposes from war damage claims. President Johnson immediately responded that we were prepared to have a joint commission look into this matter and see what uses could be developed.

At a later point in the conversation, President Macapagal came back to the importance of his land reform program and his hope that the US could be directly associated with it through the use of the fund in connection with land reform. During this discussion, he also alluded very favorably to the US treatment of the Philippines in contrast to the treatment of other countries by their colonial powers.

4. *Retail Trade Nationalization Act.*

President Johnson raised this issue and indicated that it was causing serious problems for American businessmen and for future American business in the Philippines.

President Macapagal responded that he had done his best, and certified the necessary legal cases to the courts. He said that his main problem was that the Senate was controlled by the opposing party, and that he must therefore simply campaign just as hard as he could to get a friendly Senate and Congress in the 1965 elections. He expressed confidence that his own campaigning ability could produce a successful outcome at that time.

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<sup>2</sup> See Document 301.

**301. Memorandum of Conversation<sup>1</sup>**

Washington, October 6, 1964, 9:15 a.m.

**SUBJECT**

Secretary McNamara and President Macapagal's Conversation

**PARTICIPANTS***Philippines*

Diosdado P. Macapagal, President of the Philippines

Mauro Mendez, Secretary of Foreign Affairs

Rufino Hechanova, Secretary of Finance

Oscar Ledesma, Ambassador

Brig. General Ismael Lapus, Philippine Armed Forces Attaché

*United States*

Robert S. McNamara, Secretary of Defense

Rear Admiral W. F. Schlech, Jr., American Military Aide to the President of the Philippines

William McC. Blair, Jr., American Ambassador to the Philippines

In response to a question from Secretary McNamara on Viet-Nam, President Macapagal said that he first sensed that something was wrong back in 1960. He said that he detected that the efforts of the Vietnamese Government lacked the support of the people. "When the people are not behind the effort, it is bound to collapse," he said. The President suggested that more participation by Filipinos "and perhaps by Thais" would be useful. "We are nervous ourselves," he said. "We are in danger too if anything happens." With Indonesia headed the way she is, the President said that it was time that the Filipinos shifted their defenses southward. He said this is already under way and that they were using the increase in smuggling as an excuse for the shift.

Secretary McNamara said that he was seriously concerned by the level of the Filipino defense budget. Macapagal replied saying, "It is my peculiar misfortune to be the first President in our history working with an opposition congress." The Secretary said, "I speak of this reluctantly because your strength depends upon your economic growth. I realize you have internal political problems but the dangers ahead are too great for you to keep your defense efforts at such a low level." The President replied, "We are studying the situation and I may call a special session of Congress to augment our military preparations." The President said that the purpose of calling the special session would be to increase revenues both for defense and for schools, and he suggested

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL PHIL-US. Secret. Drafted by Blair. The meeting was held at Blair House.

that even if Congress is controlled by the opposition, it would find it difficult to oppose these measures.

At this point Secretary Hechanova interrupted to say there had been a restoration of earlier cuts in the defense budget. Secretary McNamara said that this was a good first step but inadequate in and of itself. Secretary McNamara then asked the President what size force he had in mind when he talked about an increase in Filipino participation in the war in Viet-Nam. The President turned to General Lapus who gave the figure of between 1,000 and 1,200—"a battalion combat team," he said. President Macapagal commented that he thought the Filipinos could be most useful in terms of technical assistance and civil action groups. He said that the Vietnamese are weary after 20 years of war and that France had not given them enough "technical know-how." The President pointed out that there exists a school of public administration at the University of the Philippines. He said that "We can live with the natives but it will be difficult for Filipinos to do it alone." "Perhaps," he said, "a sprinkling of Thais is needed." When asked by the Secretary as to whether he felt the Thais would be receptive to this idea, he answered in the affirmative saying that "if Viet-Nam falls, the Thais will be next."

Secretary McNamara said that "We would be delighted to join with your staff" in studying both the possibility of an increased Filipino participation in Viet-Nam and the shifting of Philippine defense to the south.<sup>2</sup> When asked by the Secretary whether he had any views on the Vietnamese desire to expand the war, the President said, "I am not a military man but you will have to cut the supply routes if you want to win."

The Secretary said, "We will set up a joint study to see what can be done. If you raise your budget, we will do what we can to supplement it. We are limited in what we can do but we will study it." Secretary McNamara stated that perhaps what is needed most by the Filipinos is a counter-insurgency force to deal with infiltration from the south.

President Macapagal talked for awhile on the threat of Communist China and pointed out that all of the Asian countries are fearful of Red

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<sup>2</sup> Secretary of Finance Hechanova discussed the projected shift in Philippine defense posture with Assistant Secretary of Defense McNaughton at the Pentagon, on October 2. Hechanova stated that the highest levels of the Philippine Government had decided that a major threat to the Philippines came from Indonesia in addition to the previously recognized threat of China. The Philippine Government was planning to move military forces south under the guise of anti-smuggling operations. Hechanova also pointed out the danger of subversion in the southern Philippines because of Mindanao's close religious and cultural ties to Indonesia. This was the reason for Philippine claims to North Borneo now that the British were leaving. (Memorandum of conversation, October 2; Washington National Records Center, RG 330, OASD/ISA Files: FRC 68 A 306, Philippines, 320.2—702)

China. He then said, "I do not know if you have written off Indonesia" and went on to say that he felt every effort should be made to make sure that Indonesia will not be lost to the Communists. The President said that the poverty of the Indonesian people was so bad that "I doubt if in the long run Indonesia can be a real threat." The Secretary said that the United States certainly had not written off Indonesia. The President said that both China and the Soviet Union were trying to keep Indonesia from moving to the other side and pointed out that "since we are neighbors to Indonesia, we can talk to them." He said that Sukarno agreed with him that China was a grave threat and said that if only the West could come up with some role for Indonesia to play which would at the same time give Sukarno a chance to help his people, "this might do it."<sup>3</sup>

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<sup>3</sup> At 10 a.m. Macapagal met with Rusk to discuss the Indonesian-Malaysian dispute and Philippines-Malaysia relations. Accounts of these discussions are in three memoranda of conversation, all October 6. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 32-1 INDON-MALAYSIA and POL PHIL-MALAYSIA) Macapagal also met with McCone at Blair House at 3 p.m. They primarily discussed events in Vietnam and the Indonesia-Malaysia dispute. (Johnson Library, National Security File, Country File, Philippines, Vol. I, Memos, 11/63-11/64)

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### 302. Memorandum From Robert W. Komer of the National Security Council Staff to President Johnson<sup>1</sup>

Washington, October 6, 1964.

*Chief Macapagal business this afternoon is attached communiqué,<sup>2</sup> now approved by Macapagal. At Fil request, it's long and meaty, with many details befitting our "special relationship": (1) reaffirmation of SEATO commitments and defense in SEA; (2) study of mutual security needs; (3) joint commission on veterans' claims; (4) our support of land reform;*

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to President, McGeorge Bundy, Vol. VII, Oct.-Dec., 1964. Secret. There is an indication on the memorandum that the President saw it.

<sup>2</sup> Not attached; for text of the communiqué, see *American Foreign Policy: Current Documents*, 1964, pp. 946-949.

(5) we'll plan together on using joint fund for education; (6) our interest in rural electrification; (7) new PL 480 rice; (8) our stand on new Fil retail trade law, etc. We're happy with it.

Macapagal told McNamara that he thought it worthwhile to gamble on keeping Sukarno from going East—but Sukarno needed some kind of “golden bridge” (i.e. aid) to justify his climbing down on Malaysia issue.<sup>3</sup> For Vietnam he mentioned a battalion of troops (1200), *but a lot of staff work is needed yet*. We don't see much meaningful short term input. Bob said we'd find some way to help the Fils re-orient their defenses to the south, and beef up their military budget. Any increases in our MAP would depend on their increasing too.

Most of Macapagal–Rusk talk<sup>4</sup> was on *Malaysia* and *Sukarno*. This time our friend stressed his disillusionment with the Bung, so Rusk suggested that restoring Fil-Malay relations would be a good signal.

Macapagal's noon *Press Club talk* (attached)<sup>5</sup> was helpful on Vietnam.

*Talking points*. You might hit the following for emphasis:<sup>6</sup>

1. Visit most helpful from your viewpoint. We rely on our Fil friends to advise us on Southeast Asia.

2. We're delighted that Fils want to help out more in Vietnam. We'll be in touch on staff level as soon as possible.

3. Since *Malaysia–Indonesia* wasn't highlighted in your talk yesterday<sup>7</sup> (it was with Rusk and McNamara), you might ask for any final words of advice.

4. We'll keep trying to forestall an *Indo-Malaysia blow-up*, but hope Fils will *patch things up with Malays*, as a warning to Sukarno.

5. Wish him pleasant US trip (his path crosses yours 11 October in Frisco).

**R. W. Komer**

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<sup>3</sup> See Document 301.

<sup>4</sup> See footnote 3, Document 301.

<sup>5</sup> Not attached.

<sup>6</sup> Johnson met Macapagal on the White House grounds at 5:30 p.m. and walked with him to the Cabinet Room where they stayed until 5:42 p.m. They attempted to go to the President's office, but could not because television crews were still there clearing away their equipment. The two Presidents then went to the Fish Room and into the lobby of the White House. (Johnson Library, President's Daily Diary) No record of their discussion has been found.

<sup>7</sup> See Document 300.

**303. Memorandum of Conversation<sup>1</sup>**

I-881/65

Washington, January 21, 1965, 10:50-11:40 a.m.

**SUBJECT**

Philippine Participation—Free World Assistance to South Vietnam

**PARTICIPANTS***Philippine Side*

Secretary of Finance—Rufino G. Hechanova

Philippine Ambassador to the United States—Oscar Ledesma

*United States Side*

Assistant Secretary of Defense (ISA)—John T. McNaughton

Deputy Assistant Secretary of Defense (ISA)—Peter Solbert

Director, Far East Region (ISA)—Rear Admiral F. J. Blouin (USN)

Assistant to Director, FER (ISA)—Captain D. T. Neill (USN)

*Financial Support for Philippine Free World Assistance to South Vietnam*

Mr. Hechanova stated that the Philippine contingent would be trained and ready to go to South Vietnam in March or early April. He further indicated that his news media contained some disturbing reports to the effect that the Korean contingent proposed for Vietnam would be U.S. sponsored mercenaries. In an effort to avoid similar charges levied against the U.S. and the Philippine Governments, the Minister of Defense, Peralta, had instructed Mr. Hechanova to request a lump sum grant in advance to the Government of the Philippines, and that the GOP would request an appropriation of an equivalent amount of pesos from their own sources to support the 2500-man contingent to South Vietnam. (The implication is that the Philippine appropriation would not be acted upon, but serve as a cover.)

Mr. Hechanova stated that financial assistance for the Philippine internal propaganda campaign to sell to the Philippine public the concept of armed forces assistance to South Vietnam would also come out of the advance grant.

Mr. Hechanova relayed Mr. Peralta's opposition to any moves to reduce the present and proposed Philippine level of per diem (\$15 per day for field grade officers, \$12 for company grade, and \$8 for enlisted men). Mr. McNaughton reminded Mr. Hechanova that U.S. representatives in Manila are in the process of negotiating with the Philippine Defense Secretary, Mr. Peralta, on the method of U.S. financial support,

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<sup>1</sup> Source: Department of Defense, Joint Chiefs of Staff Files, Official File, 9155.3 (22 Jan 1965). Confidential. Drafted by Captain Neill on January 22 and approved by Solbert on January 27. The meeting was held in McNaughton's office.



and that the per diem question was also under consideration, but that a decision could not be made until we received a report from our representatives on these negotiations. Mr. McNaughton also indicated that we wished to be fair in the question of per diem pay. Mr. Hechanova rationalized that the per diem level was based on the precedent set with the medical and psy-operations teams of 34 Philippine personnel presently in Vietnam.

Admiral Blouin stated that we were hoping to obtain a reduction on what we consider to be an excessive per diem payment and commented with respect to effect on Koreans and Vietnamese. Mr. Hechanova responded that any reduction would have an adverse effect on the morale of the Philippine military and recruitment of volunteers for Vietnam, stating further that the Philippines has a higher living standard than those other countries of Asia, and that he did not feel it was proper to send the Philippine military to Vietnam with less money than they received at home. Admiral Blouin questioned this statement. Hechanova modified it—Philippine Government could not reduce per diem from that already approved.

#### *Philippine Shopping List*

Mr. Hechanova proposed that partial proceeds from PL 480, Title I funds be allocated to the purchase for the Army of additional earth moving and road construction equipment. Along with road construction equipment, they would like to have additional helicopters. The reason for these requests is to expand the road and communication network in Mindanao in an attempt to bring remote areas in better contact with markets, and provide an excuse for Army presence in remote areas through road construction and easier access to those areas for purposes of security. In effect, they would be creating a pre-emptory counter-insurgency effort. He stated that the areas concerned were made up mostly of Moslem communities having an affinity for Indonesia and the GOP would like to get in first in view of the potential Indonesian infiltration and insurgency threat and the possibility of Indonesia going Communist. In this same regard, Mr. Hechanova mentioned that proposals were being developed to obtain finances through the New York money marts for a north to south national railway through the Island of Mindanao. The foregoing efforts are designed to tie together the outlying areas and pave the way for closer government control and influence through economic means.

#### *Reinstatement under MAP of Military POL Support and General Consumable Supplies*

In this regard, Mr. Hechanova issued a plea for a return to MAP support of AFP POL and consumables, and to explore the use of some PL 480 proceeds to support armed forces Philippines fuel requirements.

Mr. Solbert explained to him that GAO had been pushing the Department of Defense to have the indigenous governments provide the POL support and shoulder the costs of armed forces consumable supplies, for the reason that these functions were considered to be a stimulus to the local economy.

*Philippine Defense Budget*

Mr. Solbert posed the question of whether funds actually released to the Philippine Department of Defense were measuring up to those authorized and if they were adequate to meet defense expenditures. Mr. Hechanova stated that they were approaching equalization but that a new scheme of submitting budgets to the Philippine Congress would be placed in effect for the first time this year. This formula would involve setting up four major categories of special funds derived from special specific tax revenue bill to be treated as separate budget items placed before the Congress: (1) education; (2) defense; (3) various categorized roadbuilding projects; and (4) medical health. If this improved formula is successful, the special fund for defense would add an additional \$40-50 million to the defense budget and he had high hopes that the new formula would be successful and prove palatable to his Congress.

Mr. Solbert stated that he was glad to have the chance to hear the Philippine position first hand. Mr. McNaughton thanked the visitors for a very clear presentation of their problems and stated that the information provided would be very helpful in arriving at a decision on the Country Team assessment of these issues which is expected shortly.

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**304. Memorandum From the Joint Chiefs of Staff to Secretary of Defense McNamara<sup>1</sup>**

JCSM-178-65

Washington, March 13, 1965.

**SUBJECT**

Shifting of Philippine Military Defenses to the Southern Islands (S)

1. Reference is made to:

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<sup>1</sup> Source: Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 3717, 381 Philippines. Secret.

a. A Memorandum for the Record by the Assistant Secretary of Defense (ISA), dated 6 October 1964, subject: "McNamara–Macapagal Conversation 6 October 1964 0915–1000 at Blair House,"<sup>2</sup> which indicated that the United States would join with the Philippines in studying the deployment of Philippine military forces to the southern islands.

b. A memorandum by the Deputy Assistant Secretary of Defense (ISA), I-28502/64, dated 13 October 1964,<sup>3</sup> subject: "Visit of President Macapagal—Republic of the Philippines," in which the Joint Chiefs of Staff were requested to implement the agreements reached during the 5–6 October 1964 meeting with President Macapagal.

2. The purpose of this memorandum is to provide you with the views of the Joint Chiefs of Staff on a CINCPAC study, contained in Appendix B hereto,<sup>4</sup> which outlines steps that the United States might take to assist the Government of the Philippines in shifting its military emphasis to the southern islands in order to:

a. Combat existing banditry, lawlessness, and smuggling.

b. Prepare the Government of the Philippines to combat the real and active subversive threats to the southern Philippines from Indonesia.

3. The study recommends:

a. A reorientation of the Philippine Armed Forces to a primary mission involving counterinsurgency and law enforcement within the context of the over-all American security system in the Pacific.

b. That the Philippine military posture should now embrace new measures designed to meet the threat of subversive insurgency in the southern islands.

4. The Joint Chiefs of Staff concur with the basic concepts contained in the study; however, the study envisions a Military Assistance Program (MAP) of approximately \$35 million in excess of the current FY 1966–1970 program. Therefore, priorities have been established in the Annex to Appendix B which show those items of equipment selected as the most essential (based on a \$10 million MAP increase and spread over five years). These data and the CINCPAC study have previously been made available to the Chief, Joint US Military Advisory Group, Philippines.

5. The Joint Chiefs of Staff are of the opinion that the views of the Country Team in Manila should be obtained regarding the study prior to initiating conversations on the subject with Philippine officials. They are also of the opinion that any increase in US assistance which may

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<sup>2</sup> Not found. For Ambassador Blair's account of the meeting, see Document 301.

<sup>3</sup> Not found, but summarized below.

<sup>4</sup> Appendixes A–C are attached but not printed.

be required to shift the Philippine military defenses to the southern islands should be made contingent upon:

a. Reorientation of the Philippine Armed Forces and paramilitary establishments, as necessary, to a primary mission involving counter-insurgency operations.

b. An increase in the Philippine military budget.

c. Securing an arrangement with the Philippine Government whereby any new facilities constructed with US assistance in the southern Philippines would be available to the United States on a joint use basis.

d. Availability of MAP funds in excess of current and projected world-wide programs.

6. Accordingly, the Joint Chiefs of Staff recommend that:

a. A memorandum, substantially as contained in Appendix A, together with the study contained in Appendix B, its Annex, and the proposed State-AID-Defense message contained in Appendix C, be forwarded to the Secretary of State requesting his concurrence.

b. Upon receipt of concurrence from the Department of State, the proposed State-AID-Defense message contained in Appendix C be dispatched to the American Embassy in Manila.<sup>5</sup>

c. Upon receipt of Country Team submissions, the Joint Chiefs of Staff be afforded the opportunity to provide appropriate comments.

For the Joint Chiefs of Staff:

**L. J. Kim<sup>6</sup>**

*Rear Admiral, USN*

*Deputy Director, Joint Staff*

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<sup>5</sup> According to a memorandum from Vance to the Chairman of the Joint Chiefs of Staff, April 5, a "slightly modified version of your proposed joint message" was dispatched to Manila. (Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 3717, 381 Philippines)

<sup>6</sup> Printed from a copy that indicates Kim signed the original.

**305. Memorandum From Chester L. Cooper of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy)<sup>1</sup>**

Washington, March 29, 1965.

SUBJECT

Philippine Aid to Vietnam

This is in response to your request to assess the problems in obtaining a substantial ("3–4 division") Philippine force for Vietnam—particularly as these problems relate to the President's role.

Until two weeks ago, two basic difficulties held up *any* additional manpower contribution: financial arrangements and political considerations. After several months of negotiations, we have arrived at financial arrangements satisfactory to both the Philippine Government and ourselves. Although these arrangements apply specifically to the 34-man civic action team, both State and our Embassy are confident that the precedent will hold for the proposed 2,000-man military Task Force and for any larger force that might be sent.

The political problems pose a more serious obstacle. They relate to Macapagal's election prospects and his need to obtain congressional approval for sending troops abroad. Macapagal's interest in sending troops and his leverage on Congress have been weakened by the deteriorating situation in South Vietnam and by pressures for negotiations both in the US and abroad. There has also been concern that the US will concentrate on fighting from the air and leave the ground war to others—specifically, to Asians. However, our air strikes and the landing of the Marines have had some salutary effects.

In the circumstances, there are no specific US actions which would *guarantee* the sending of a 2,000-man Task Force, to say nothing of a much larger element. There are two channels of approach, however, which might be helpful:

1. *Vietnam Policy*: Actions that convince Macapagal in particular and the Filipinos in general of our determination to stay with the fight in Vietnam would allay fears that the Philippine forces might be left out on a limb. For example:

a. *A Presidential letter* to Macapagal detailing our present thinking on Vietnam, our resolve, and the role to be played by Filipino troops;

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. II, Memos, 6/64–6/66 [1 of 2]. Secret.

b. *More US ground forces* in South Vietnam, thereby removing grounds for the contention that we are relying largely on airpower and are not exposing our own troops.

2. *Philippine Domestic Affairs*: US actions which directly or indirectly have the effect of strengthening Macapagal's bid for re-election would increase his willingness to risk the loss of some votes by pressing the proposal to commit troops to Vietnam. While such US actions would broaden his appeal in the provinces, they would tend to set up severe counter-pressures in the Manila area, in the press, and among opposition politicians whose support will be needed to gain approval of the Vietnam venture.

The following possible steps are listed in ascending order of their effectiveness in gaining the Philippine contribution (and in ascending order of identification with Macapagal):

- a. Early resolution of outstanding PL 480 negotiations (rice and meat) on terms favorable to the GOP. (We are now moving on the rice.)
- b. Resolution of sources of friction that derive from our military bases. We are presently making progress on the criminal jurisdiction article. Conciliation of other issues would be translated into political gains for Macapagal.
- c. US agreement to underwrite the costs of improving Philippine defenses in the southern islands.
- d. Increased military assistance of a type specifically desired by GOP.
- e. Announcement of a dramatic program committing the US to share in underwriting a joint US-Philippine land reform and rural development program in the Philippines (essential to future healthy development of the country).<sup>2</sup>
- f. Announcement of the President's agreement to make a visit to the Philippines prior to the November 1965 election. (This could probably be tied to an undertaking by Macapagal to go forward on the Task Force, might improve its chances of approval in the Philippine Congress, but would deeply interject us into Philippine politics. In the long run, such action would be greatly resented.)

C

*Late Add:*

See attached FBIS item reporting Macapagal favoring "military intervention . . . subject to approval of Congress."<sup>3</sup>

<sup>2</sup> Bundy wrote the following marginal note at this point: "CLC, does this relate."

<sup>3</sup> Not attached.

**306. Memorandum From the President's Special Assistant for National Security Affairs (Bundy) and James C. Thomson, Jr., of the National Security Council Staff to President Johnson<sup>1</sup>**

Washington, June 1, 1965.

SUBJECT

Your meeting with Philippine Ambassador Ledesma, June 2, at 12:45 p.m.<sup>2</sup>

Ambassador Ledesma's request for an appointment with you comes at a good time for a strong push by you to get *Philippine Congressional approval of a 2,000-man Task Force* of engineers for Vietnam.

The Ambassador will give you *two letters* from President Macapagal:<sup>3</sup> one on *sugar legislation* (which you need only acknowledge, saying that we will give this matter study; Ledesma expects no discussion on sugar), the other a *brief note of thanks for sending Ambassador Lodge* to the Philippines.

The second letter provides the point of departure for a discussion of the Task Force.

Macapagal offered such a force during his State Visit last October. Since then, after prolonged negotiations, we have come close to our goal: We have worked out a covert U.S. financing arrangement (*Note: Ambassador Ledesma does not know about this arrangement and should not know*); and the Philippine House of Representatives has approved the proposal for the Task Force by a large majority.

*Chief stumbling block* now is the Philippine Senate, which is controlled by the *Nacionalista Party*, *Macapagal's opponents* in a tough election year. Here we can achieve success only through *bi-partisan support for the measure*; yet the *Nacionalista* leadership is so far opposed. (Macapagal needs 13 votes and is sure of only 10.)

*Ambassador Ledesma* can help to provide a solution: he is not only a well-respected businessman and very pro-American; *he is also a life-long member of the opposition Nacionalista Party*. An appeal to him can

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. II, Memos, 6/64–6/66, [1 of 2]. Secret.

<sup>2</sup> The President met Ledesma from 12:56 to 1:05 p.m. The meeting was "Off the Record." (Ibid., President's Daily Diary) The Department of State also sent the White House a briefing paper for this meeting. (Memorandum from Read to Bundy, May 31; National Archives and Records Administration, RG 59, Central Files 1964–66, POL 27–3 VIET)

<sup>3</sup> Dated May 13 and April 29, respectively. (Johnson Library, National Security File, Country File, Philippines, Macapagal Correspondence, 12/63–12/65)

therefore carry weight not only with Macapagal, but with his own party and its representatives in the Senate.

*Talking Points*

1. You recall with great warmth *Macapagal's support* for our Vietnam policies last October and his statement that Filipinos, as Asians, could make an important military and psychological contribution in Vietnam. (We are grateful for the 73 Filipinos—in medical civic action and psychological warfare—already in Vietnam.)

2. You understand Macapagal's desire for *Congressional approval* of the 2,000-man Task Force.

3. You can assure the Ambassador of *our total determination* to stay with the job in Vietnam; our determination has been demonstrated anew in our actions since January.

4. You are convinced that *early dispatch of the Task Force* would hearten the South Vietnamese people, convey a strong warning to the Communists, and disprove American critics who claim that our Vietnam policies lack Asian support.

5. You request that the Ambassador, both as Macapagal's representative and as a respected member of the opposition party, *use his influence with both parties in Manila* in order to promote *bi-partisan support for the Task Force*. You understand the difficulties of an election year and a divided Congress; but the need for such a Task Force clearly transcends party rivalries in view of the challenge which confronts us all in Southeast Asia.

JCT Jr.

McG.B.



**307. Memorandum From the President's Special Assistant for National Security Affairs (Bundy) to President Johnson<sup>1</sup>**

Washington, July 7, 1965, 6:15 p.m.

RE

Macapagal and the 2,000 troops

Macapagal has not succeeded in passing the aid bill necessary to allow him to send the 2000 troops that have been agreed in principle for so long between us. He has now proposed instead that the Filipinos send volunteers and that we pay for them under the table through CIA.<sup>2</sup> We are convinced that paying for volunteers would be a very messy solution and are unanimously and strongly against it. The Filipinos are quite likely to draft the people they want, and call them volunteers, and this is a lousy precedent in the face of what the Chinese have threatened.

The only way Macapagal could revive his aid bill is by what the Filipinos call "recertification." The attached cable (A)<sup>3</sup> shows that he has made a decision against any such course for strong election-year reasons. The only thing that could conceivably move him is a direct personal appeal from you, and on the evidence of the attached cable (A) we are not inclined to suggest that you make this effort right now. Instead, we plan to send the draft telegram attached at B.<sup>4</sup>

**McG. B.**

Approved<sup>5</sup>

Disapproved

Speak to me

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President, McGeorge Bundy, Vol. XII, July 1965. Secret.

<sup>2</sup> See footnote 3, Document 308.

<sup>3</sup> Not attached; this is a reference to telegram 38 from Manila, July 6. (National Archives and Records Administration, RG 59, Central Files 1964–66, AID (PHIL) VIET S)

<sup>4</sup> Document 308.

<sup>5</sup> None of the options is checked, but a handwritten note in Komer's hand reads: "President approved—'nothing else he could do'. RWK."

### 308. Telegram From the Department of State to the Embassy in the Philippines<sup>1</sup>

Washington, July 7, 1965, 7:10 p.m.

36. Embtel 44.<sup>2</sup> In light of recent developments we believe it necessary to recognize that Macapagal will not recertify aid to Viet-Nam bill, and that further efforts by us to persuade him to do so will be unproductive. We believe it desirable, therefore, to terminate discussions to this end with Macapagal and other Philippine leaders. We would like to do this with as little contention as possible both because we will be needing cooperative atmosphere in Manila during next few months as Viet-Nam conflict develops and in order not to prejudice what we regard as rather slim chance that he will take action after election.

Objectives should be to accept present situation, to keep door open for change in GOP position after elections, and to have Macapagal feeling he owes us something and inclined to cooperate with us wherever he can.

We think there are some advantages in using indirect but reliable channel to Macapagal for some if not all of our reaction, but we leave decision in this regard in your hands. Points to be covered in message to him are:

(1) It is up to Macapagal whether he wishes to pursue proposal to send volunteers.<sup>3</sup> As for US role, apart from fact that volunteer project does not meet essential need for GOP endorsement of assistance to GVN, we have carefully considered problems involved in any US financial support for a private fund-raising venture on this scale, and

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. II, Cables, 6/64-6/66. Secret; Immediate; Priority. Drafted by Ballentyne and Cuthell, cleared by William Bundy and Komer, and approved by Rusk.

<sup>2</sup> In telegram 44 from Manila, July 7, Blair reported a conversation with Hechanova who insisted that the Philippines could either send volunteers (in reality, members of the Philippine armed forces) to Vietnam now or wait until after the Presidential election. If Macapagal won, he would call a special session of the Philippine Congress to pass a Vietnam bill. Hechanova stated that he did not understand the U.S. opposition to the volunteer concept. (Ibid.)

<sup>3</sup> In telegram 27 from Manila, July 5, Blair reported that he had spoken with Macapagal that morning. They first discussed the upcoming Presidential election and Macapagal stated that by hard work and campaigning he believed he had a slight edge over Marcos. He confided to Blair that if President Johnson had visited the Philippines, his reelection would have been assured. Macapagal raised the issue of sending a battalion of engineers to South Vietnam ostensibly funded by public subscription, but actually funded by U.S. sources. (Ibid.) The Department of State responded in telegram 29 to Manila, July 6, that the proposal for volunteers was both "unacceptable and impractical." (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 27-3 VIET S)

conclude that it simply cannot be done without exposing US hand to degree that would be most damaging both to US interests and to Macapagal himself. Thus, in event GOP decides to go ahead with idea, it must do so on its own as to raising of funds and promotion of project within Philippines. Believe GOP would also find it essential to consult with GVN. FYI: Most that USG could do would be to contribute overseas benefits within SVN on same basis originally agreed for official contingent. End FYI.

(2) Without pushing Macapagal into corner, we wish him to understand clearly that we are greatly disappointed by fact that Phil Administration publicly and enthusiastically proposed significant military effort in Viet-Nam and then retreated, which will provide useful propaganda ammunition to those opposed to our Viet-Nam policy both here and abroad.

**Rusk**

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**309. Telegram From the Embassy in the Philippines to the Department of State<sup>1</sup>**

Manila, July 9, 1965, 1332Z.

66. I saw President Macapagal this evening and conveyed to him in detail contents of Deptel 36.<sup>2</sup> I emphasized several times that Washington was both gravely concerned and disappointed that the Vietnam bill had not been pressed. When I had finished the President said that he had further discussions with party leaders since our earlier talks and they had unanimously agreed that it was best to postpone action until after the elections. He reiterated the reasons he had earlier given and assured me that a minimum of one million pesos would be made available to keep the two medical and civic action teams in Vietnam for another year. I told the President that in all frankness I must tell him that I was not convinced that if a determined and bipartisan effort had been made to pass the Vietnam bill it would have passed in close to its present form. The President told me that if the Nacionalistas had been sincere in their desire to support meaningful aid to Vietnam

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. II, 6/64-6/66. Secret; Immediate; Limdis. Repeated to Saigon. This telegram was passed to the White House where it was retyped and that copy was sent to the President who saw it. (Ibid.)

<sup>2</sup> Document 308.

they would have supported the administration's bill. This bill, he said, provided precisely the kind of aid the Government of Vietnam had requested. The President said, "I think I know the Nacionalistas and their motives. Marcos is no leader and he will do what the Lopezes tell him to do." He continued, "If I win, and I am increasingly certain that I will win, I promise, and you can tell Washington this, that I will call a special session of Congress on November 15. If I win by a large majority, I will ask for more than what the present bill calls for (i.e. a battalion of engineers plus security forces). I agreed with Senator Manahan that in addition to this we should send more civic action teams. We need the experience, and if trouble develops with Indonesia we will have to fight the kind of war which is now being fought in Vietnam." "I hope Washington will understand," he said, "that I am sincere; that ever since I was first heard of, I have been known as a friend of democracy and particularly of the US. If the bill I presented had been watered down, the image of the Philippines would have been impaired." I interrupted to tell the President that I felt the reputation of the Philippines would be impaired in any event once it became known that the bill which his administration had publicly and enthusiastically proposed was not going to be approved. The President said that he believed that anyone who understood the workings of democratic governments would appreciate that there are many things that can not be accomplished in the final frenzy of a political campaign. In conclusion, the President said with apparent feeling that he hoped Washington would understand that all that was involved was a temporary delay—less than four months—and that he would still fulfill his commitment. I told the President that we had no alternative but to accept his decision but that the next few months might well be the tough and crucial months—that the US had been carrying a disproportionate share of the burden—that we had reason to believe we could count on the Philippines for meaningful assistance, but that this help had not materialized.

The President assured me this help would be forthcoming and asked again for understanding of the circumstances which had made impossible at this time passage of the administration's bill.

**Blair**

**310. Letter From President Macapagal to President Johnson<sup>1</sup>**

Manila, July 24, 1965.

Dear Mr. President,

I have asked the good offices of Ambassador Oscar Ledesma to hand you this letter on Philippine assistance to South Vietnam.

The Filipino people and my Administration support the continuing U.S. commitment in the struggle for freedom in Vietnam as a clear proof of American sincerity and interest in this part of the world.

On our part, we shall endeavor to maintain our contribution to freedom in Vietnam.

Last year, the Philippine Congress approved a national policy of helping in the struggle for freedom in Vietnam by the sending of technical aid and personnel to that country and, for which, the Philippine Congress appropriated the amount of peso 1-million.

This year, in our effort to increase our contribution, I sent to our Congress a special message asking for peso 25-million to enable us to increase and broaden our efforts in the form of an engineer battalion with security support made up of 2,000 officers and men. In the closing days of the regular session of Congress, I again expressed my interest in the bill by certifying it to our Congress as urgent. Unfortunately, this bill did not pass Congress in its regular session because of the dominant position of the Opposition leaders; neither was the national budget, so absolutely essential to the conduct of government, approved.

The nature of the composition of our Congress today and the partisan atmosphere prevailing therein have made it difficult, if not impracticable, to secure at this time the necessary authority for the Philippine engineer battalion to Vietnam. The deadlock between the Opposition-dominated Senate and the President is a novel situation in our political experience as part of the growing pains of our democracy.

This is one of the primary issues of the current presidential election campaign, and it is this issue which I trust our people will resolve not only by investing my humble person with a continuing mandate, but also by granting me the necessary legislative support in both chambers of our Congress to enable me to achieve my goals. I therefore look forward to the fruitful outcome of the elections come November and the consequent resolution of this deadlock by our people once and for all.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Macapagal Correspondence, 12/63–12/65. No classification marking.

It is our purpose that even before the new Congress convenes in January, 1966, we shall summon it to a special session at the end of November to ask, among other things, for the necessary authority to increase and broaden the Philippine commitment in the current struggle for freedom in Vietnam, if possible beyond the engineer battalion.

In the meantime, we have hopes of projecting the Philippine commitment in Vietnam. Even in the absence of the necessary appropriations for continuing funds from the Opposition-dominated Philippine Congress, I have directed that our present contingent in Vietnam be maintained.

My conviction that South Vietnam should be supported by freedom-loving peoples from falling to the communists needs no reiteration. I am certain that the Filipino people themselves share and support this policy. The project to increase our participation in the democratic effort in Vietnam has suffered some delay because of the exigencies of the presidential election, but I am confident that after the Filipino political leaders have emerged from their absorption in the current electoral struggle, with our expected victory, the increased participation of our country, side by side with our American allies, in the struggle for human freedom in Vietnam shall proceed with the resounding support of the Filipino people.

The Filipino people share the gratification of other free Asian nations over the firm resolve of your Administration to overcome the communist aggression in South Vietnam. Our people and I personally pray for your success and wish you to know that you are not alone in your great and noble endeavor. All free men the world over are behind you.

Sincerely yours,

**Diosado Macapagal**

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**311. Telegram From the Department of State to the Embassy in the Philippines<sup>1</sup>**

Washington, August 26, 1965, 4:51 p.m.

327. 1. While Macapagal letter of July 24<sup>2</sup> (pouched Manila Aug 18) seems to provide context within which President can make helpful

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 27-3 VIET S. Confidential; Priority; No Distribution Outside Department; Limdis. Drafted by Robert L. Flanegin of SPA; cleared by Berger and Thomson in draft; and approved by Cuthell.

<sup>2</sup> Document 310.

explanation our rice difficulties while thanking Macapagal for his explanation failure meet Phil Task Force commitment, need Emb judgement on possibility Malacanang will interpret combination of two items in single letter as veiled threat to withhold rice if troops not produced.

2. Text of proposed Presidential reply would be along following lines:

a. "I deeply appreciated your thoughtfulness in apprising me personally of the factors underlying your decision to postpone further efforts to gain legislative approval for a Philippine engineer battalion to serve in Viet-Nam. I am most heartened by your resolution to again seek authority from the Philippine Congress for the battalion, and your decision that the present contingent will remain. As I have written in the past, your support of Free World efforts in South Viet-Nam is of signal importance to us and to the Vietnamese people.

b. "In respect to our common struggle in Viet-Nam, I hope that you will bear with us in a matter which directly affects our mutual interests. Sudden and urgent need has arisen in Viet-Nam for massive supplies of rice to areas temporarily cut off by enemy action from the growing regions. This emergency, unforeseen and highly critical, complicated by our current shipping difficulties, may result in delayed shipments of PL-480 rice to the Philippines. We will, of course, strive to fulfill our rice commitment with all possible speed.

c. "In closing, let me say how moved I was by your personal expressions of support and good wishes. It is my purpose that America's example in the current struggle will prove worthy of your sentiments."

3. If you believe allusion to rice problem in this context undesirable, para 2b above could be omitted. Request reply soonest.<sup>3</sup>

**Rusk**

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<sup>3</sup> In telegram 406 from Manila, August 27, the Embassy stated that it believed that Macapagal would view these two issues in a single letter as "a veiled threat to withhold rice if troops not produced, or possibly a warning that we intended to withhold rice in retaliation for failure to send troops thus far." The Embassy noted that Macapagal was involved in an uncertain election campaign and "fighting hard battle for his political future." In such a highly charged political atmosphere, he might see the issues of troops for Vietnam and P.L. 480 rice only in terms of Philippine domestic policies. The Embassy suggested dropping the issue of rice from the response and trying to work out a compromise on rice shipments with lower level Philippine officials. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 27–3 VIET S) The Department agreed and the letter was sent on September 18 in that form. (Ibid.)

**312. Letter From the Administrator of the Agency for  
International Development (Bell) to the Assistant Secretary  
of Defense for International Security Affairs (McNaughton)<sup>1</sup>**

Washington, September 7, 1965.

SUBJECT

Internal Civil Security in the Philippines

Dear John:

A.I.D. is in agreement with Mr. Hoopes that the principal aim of our assistance to the Philippines should be toward internal security. We also agree with the proposal that MAP should be oriented to give greater emphasis to internal security and that very serious efforts should be made to bring the Government of the Philippines to this conclusion.

Enclosed is a paper on "Internal Civil Security in the Philippines"<sup>2</sup> which was prepared pursuant to our discussions during the recent review of Mr. Hoopes' study.<sup>3</sup> This paper addresses the Philippine internal civil security capability and U.S. assistance in the face of a generalized situation of rising violence and lawlessness which is impeding economic and social development and constitutes a potential basic threat to the stability of the government.

The Philippine Constabulary (PC), a Philippine Department of Defense agency, is a major internal civil security element which has as its primary function the police duty of preserving peace, law and order. However, the PC lacks suitable equipment, adequate training, and appropriate direction and orientation to carry out this duty. Furthermore the PC is not now receiving and, under present plans, will not receive required U.S. assistance in terms of technical advice, training, or material consistent with its primary role. Although it represents about half the Philippine Department of Defense forces, it receives less than 10 per cent of MAP funds for the Philippines.

Other potentially important elements in the Philippine law enforcement (internal civil security) structure are the nearly 1,400 city and municipal police forces. Currently, they are inadequately supported, their equipment and facilities are poor, pay is below subsistence levels,

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<sup>1</sup> Source: Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 3717, Philippines, 333-381 (381 Philippines). Secret.

<sup>2</sup> Attached but not printed.

<sup>3</sup> Townsend Hoopes' study, summarized briefly in the preceding paragraph, has not been found.



and political interference is rife. However, little or no U.S. assistance is now being provided or planned for these police forces.

It is clear that (1) there are serious deficiencies in these very large and most important parts of the Philippine law enforcement structure which together constitute the rural civil security forces in the Philippines, and that (2) these parts of the law enforcement structure have not received and, under present plans, will not receive required assistance. As expressed in the National Policy Paper on the Republic of the Philippines, now circulating for final clearance, it seems clear that correcting these deficiencies is very much in the U.S. interest and would be in keeping with U.S. policy.

We believe that greater U.S. assistance, by both A.I.D. and MAP is essential. We propose that A.I.D. and the Department of Defense, with appropriate Department of State consultation, and later the Country Team, jointly prepare terms of reference for discussing this matter with the Government of the Philippines. Briefly, our views are that the Philippine Government should provide substantially increased support and improved leadership for its police forces, and that the United States should offer substantially more police assistance through the A.I.D. Public Safety Program, especially to the Philippine Constabulary. U.S. technical police assistance and police training to the various law enforcement agencies would be centralized under the A.I.D. Public Safety Program. At the same time, commodity assistance to the Philippine Constabulary could be divided, if desired, between A.I.D. and the MAP with the MAP providing military-type equipment and A.I.D. providing police equipment.

As a corollary to these basic improvements, we expect to be discussing with the U.S. A.I.D. Mission the contribution to internal security goals which can be made by improvement in other A.I.D. fields. We believe that there is potential in Public Administration, Food for Peace, the utilization of development loans, possible expansion of the Service Training Center, and the possible development of a barrio digest.

Sincerely yours,

Dave

313. Memorandum Prepared for the 303 Committee<sup>1</sup>

Washington, September 13, 1965.

## SUBJECT

[less than 1 line of source text not declassified] Action in the 1965 Philippine Election

## 1. Summary

Two Philippine reform leaders have requested [less than 1 line of source text not declassified] assistance in the amount of [less than 1 line of source text not declassified] for themselves and the [less than 1 line of source text not declassified] for the 1965 election. The individuals in question [less than 1 line of source text not declassified] have been guided and influenced by the United States in one way or another through most of their political lives. They have reciprocated by maintaining legislative records consistently in line with United States policy, and political lives outstandingly sympathetic to American objectives.<sup>2</sup>

[less than 1 line of source text not declassified] does not wish to underwrite a [less than 1 line of source text not declassified] political party. It is proposed however, that [less than 1 line of source text not declassified] each be provided these individuals and "personal" support for their current election campaigns. The "personal" nature of this highly selective support is an earnest of continuing confidence in the two men as responsible, young political leaders in the country and reflects a distinct reluctance to support disruptive, probably unsuccessful, [less than 1 line of source text not declassified] party activity per se. The proposed support in the amount of [less than 1 line of source text not declassified] is directed entirely to the future potential represented by these individuals in their continuing role as the nucleus around which a politically attractive reform movement in the Philippines might develop and not to their current [less than 1 line of source text not declassified] party candidacy. Support up to [less than 1 line of source text not declassified] might be required as assistance to two or three other political reformist candidates, without regard to their party affiliations. The proposed financial support can be passed in a secure, non-attributable manner. The estimated cost of this proposal is [less than 1 line of source text not declassified].

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<sup>1</sup> Source: National Security Council, Special Group/303 Committee Files, Subject Files, Philippines. Secret; Eyes Only.

<sup>2</sup> At a meeting on September 8 among CIA, State, and White House officials who discussed this proposal, Cuthell characterized the two [text not declassified] as "nice boys, but perfectly useless." (Memorandum from Stuart to Hughes, September 10; Department of State, INR/IL Historical Files, Philippines, 1964-1968)

These funds are available within [*less than 1 line of source text not declassified*].<sup>3</sup>

[Here follow sections 2. Problem, 3. Factors Bearing on the Problem, 4. Coordination, and 5. Recommendation.]

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<sup>3</sup> At its meeting on September 23, the 303 Committee rejected “the proposed [*less than 1 line of source text not declassified*] action on Philippines elections on the grounds that, as the proposal itself stated, ‘the Philippines is not in a crisis area at the moment’ and the republic is not threatened directly by a communist takeover.” The disapproval, according to the minutes, “is in no way construed as affecting the [*less than 1 line of source text not declassified*] for purposes other than extra support for the current election campaign.” (National Security Council, 303 Committee Minutes, 9/23/65)

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**314. Memorandum From the President's Special Assistant for National Security Affairs (Bundy) and James C. Thomson, Jr., of the National Security Council Staff to President Johnson<sup>1</sup>**

Washington, September 19, 1965, 12:30 p.m.

**SUBJECT**

Authorization for Negotiations on Uses of Philippine War Damage Funds

The attached request from the Secretary of State<sup>2</sup> is an outgrowth of the troublesome Philippine War Damage Legislation of 1962, as amended in August 1963.<sup>3</sup> It is also an outgrowth of your joint communiqué with President Macapagal of October 1964.<sup>4</sup>

In brief, \$28 million in War Damage funds have been set aside in the U.S. Treasury as a “Special Fund for Education”, to be used to the mutual advantage of the Philippines and the United States. State now

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President, McGeorge Bundy, Vol. 4, 9/1/65–9/22/65. No classification marking.

<sup>2</sup> Not attached and not found.

<sup>3</sup> On August 30, 1962, President Kennedy signed P.L. 87–616, authorizing \$73 million for Philippine damages from World War II. The Fulbright-Hays amendment contained in P.L. 88–94, August 12, 1963, earmarked part of this money for educational programs to benefit both the Philippines and the United States. The texts of P.L. 87–616 and P.L. 88–94 are in *American Foreign Policy: Current Documents*, 1962, pp. 1089–1091 and *ibid.*, 1963, pp. 829–831.

<sup>4</sup> Text *ibid.*, 1964, pp. 946–949. See also Document 302.

asks that you *authorize negotiations with the Philippine Government on the uses of this Special Fund.*

In addition, the Filipinos came forward last year with a proposal that a portion of this money be devoted to a Land Reform Education program in connection with the implementation of Macapagal's Land Reform Code of 1962.<sup>5</sup> State also asks that you *authorize conclusion of an agreement committing us to the support of this program for Land Reform Education through disbursements from the Special Fund for Education.*

These War Damage funds have had a difficult legislative history and have previously caused deep irritations between our two countries (Macapagal cancelled his 1962 State Visit in pique over Congress's failure to pass the War Damage Bill). So our first objective should be to move without unnecessary delay on the uses of the money now that the funds are available. At the same time, we should do all we can to ensure that these funds go to solid, viable projects that can contribute effectively to the Filipino development process. State's terms of reference provide for project-by-project review by Embassy Manila and the relevant U.S. agencies; no funds will be moved from the Treasury until a particular project has been approved; and the Filipinos will issue periodic reports to us on the progress of each project.

Finally, there is a current political angle that we should keep in mind: the Philippine Presidential elections in November. State intends to move with sufficiently "deliberate speed" to avoid any charges, on the one hand, that we are providing goodies for Macapagal to announce on election-eve, and on the other hand, that we are pulling the rug on our commitment to him and thereby supporting his opponent. As matters now stand, it is unlikely that any funds will be actually disbursed to the Philippines before the elections.

State's package makes sense in delivering on a firm U.S. commitment in the context of adequate safeguards. We recommend that you approve the two authorizations.<sup>6</sup>

JCT Jr.  
McGB

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<sup>5</sup> See Document 300.

<sup>6</sup> A note on the memorandum indicates that the President approved the two authorizations on September 20.

**315. Memorandum Prepared in the Central Intelligence Agency<sup>1</sup>**

Washington, October 27, 1965.

**SUBJECT**

The 1965 Philippine Election

*Summary:* Too Close for Comfort

1. An Analysis of the 1965 Philippines' Presidential Elections<sup>2</sup> reveals one basic factor (and virtually no others with any certainty), which is that the elections, at this time, are extremely close. Prospects are they will remain close right up to the vote on 9 November. Although manipulation of elections in the Philippines is by no means a new phenomenon, this basic factor, together with other factors which tend to enhance its importance, renders the current elections of much greater interest than is normal, particularly in terms of the various methods to improve their respective positions which either side may resort to. The elections methods employed and the results, especially if close, can be expected to aggravate an already tense situation, in the time remaining prior to, during, and especially, after the elections.

2. Some concern has been expressed that if the initial returns are close and subsequent returns do not produce a decisive advantage for one side or the other, a tense situation may develop, with each camp apprehensive that the other may resort to violence to achieve victory. Against this concern it must, however, be noted that the Filipinos have a tendency to over-dramatize situations, and that there can be a gap between threatening words and actual deeds, with potentially explosive situations being resolved peacefully despite the show of force which seems called for out of considerations of pride and prestige. The Embassy is preparing a separate report on this aspect of the elections.

3. At least two other factors give some reason for concern over the elections in general. This is the first time the Filipinos have conducted an election without the direct and at least to some extent, steadying influence of United States involvement; they are on their own and they may be expected to indulge in many more manipulatory tactics than in

<sup>1</sup> Source: Department of State, INR/IL Historical Files, Philippines, 1964–1968. Secret.

<sup>2</sup> In Intelligence Memorandum OCI No. 2343/65, October 28, entitled "Philippine Elections," the CIA described the election campaign, the candidates, and the issues and concluded that as all three Presidential candidates were "Western oriented and pledge to continue close ties with the US and the West." The significance of the elections lay "not so much in who wins, but in whether the winner institutes and pursues a basic socioeconomic reform program. Without reforms, generalized public discontent is likely to increase and the small leftist element in the Philippines will probably grow." (Johnson Library, National Security File, Country File, Philippines, Vol. II, 6/64–6/66, [1 of 2])

previous elections since 1949. The other factor of some importance is the Filipino voters' exposure in the provinces and down to the barrio level to more sophisticated mass political media of virtually every type. The effect of mass media on the average Filipino voter is an unknown quantity, but in making the voter himself more sophisticated, however basically good the process, the probable course of the elections becomes even more difficult to interpret.

### *"The Third Force"*

It is generally conceded that Manglapus of the PPP has no chance. Little attention is being given to him, although his down-the-line reform stand has gone over well. Manglapus' strength varies widely in reporting, anywhere from two to seventeen percent. There is no clear data as to whom he has harmed or helped; most observers feel this scale would be about equal. Nevertheless, the outcome of Manglapus, and the rest of the PPP candidates, is worth watching due to the demonstrated appeal during the elections campaign to younger elements in the voting public and as a possible gauge to the future of reform movement in the country.

### *Vote Prognostications*

1. One month prior to the elections, both camps claim ultimate victory; Macapagal by a margin of from 360,000 to 400,000 votes; Marcos' exact plurality claim is not known. All available information at this time indicates that Marcos is leading nationally by from three to five percent. Results of the most recent national Robot-Gallup poll conducted during 10-28 September were as follows:

President Macapagal	39 percent
Senator Marcos	43 percent
Senator Manglapus	9 percent
Don't know or refused to answer	9 percent

The Marcos lead, because of its slender nature, thus raises the distinct probability of increased manipulation tactics by both sides: Marcos to increase his slim lead substantially; and Macapagal not only to catch up, but to greatly strengthen his position to one of as little concern as possible prior to the elections. It is perhaps academic to note that the incumbent has by far superior manipulatory capability than has his opponent, at least if the opponent's position does not become so strong as to become irreversible.

2. Registered voters in the Philippines number somewhere between seven and nine million, with slightly over seven and one half million being the usual figure quoted. It is generally reported that in order to win an opposition candidate must have a lead of from eight

to ten percent going into the elections, mainly to take up the slack of expected vote frauds by the incumbent, which, for unclear reasons, can be expected to range between 500,000 and one million votes—any higher figure being considered too dangerous. However questionable such figures may be, the fact remains that Marcos in order to win, and short of a landslide, should have a lead of about ten percent over Macapagal; a lead which he does not now have and probably cannot attain in the face of pressures and capabilities Macapagal can mount before 9 November.

3. An LP official's estimate as of 1 October covering provinces and cities is of considerable interest, particularly since the findings are within .2 percent nationally of other and more recent polls, and since the same official accurately predicted the 1961 results. The official in question is an associate of Speaker Pro Tem Pendatun. A brief summary of his estimates follows:

Nationally—Marcos would receive 3,942,391 to 3,630,297 for Macapagal, or a margin of 312,094.

Provinces—Marcos 3,359,226 to 3,067,085 for Macapagal; a margin of 292,141 for Marcos (Northern Luzon to Marcos by 165,660; Central Luzon to Macapagal by 17,205; Southern Tagalog to Marcos by 149,206; Bicol to Macapagal by 11,156; Eastern Visayas to Marcos by 42,244; Western Visayas to Marcos by 18,637; and Mindanao to Macapagal by 55,225).

Cities—Macapagal would receive in the major cities 124,945 to 110,651 for Marcos, a margin of 14,294 (Luzon to Marcos by 50,891; Visayas to Macapagal by 16,644; and Mindanao to Macapagal by 14,294).

4. The LP Executive Committee, as of 10 October had Macapagal winning by a margin of 360,000. Prognosis was that Macapagal would lose Ilocandia by 200,000; Manila by 60,000; Northern Luzon by 40,000, but win Central Luzon by 170,000, Southern Tagalog by 10,000; Bicol by 40,000; Mindanao by 300,000; and the Visayas by 100,000.

5. A Police Constabulary poll of 10 October found that Macapagal would win the election by a margin of 260,000 to 400,000. It is probable that this poll is the basis for current LP figures in the elections.

#### *Prospects for "HankyPanky"*

1. Given past experience both sides will undoubtedly engage in widespread manipulation tactics, including vote frauds, subversion of election officials, stuffing of ballot boxes, votes lost through managed counting, etc. In addition, both sides will use every other means at their disposal to improve their own position. In this context, Macapagal has a clear edge, largely due to the fact that as the incumbent he has a far greater capability. In the past, the AFP and especially the PC have figured prominently in elections to the advantage of the party in power. Although the AFP and the PC have assured the NP that there is no

intention of using either in the current elections, it is already apparent this is not the case. The PC is involved in conducting polls on behalf of Macapagal and despite the fact that Malacanang claims otherwise the transfer of some eleven PC officials from areas of Marcos strength in the North to safe areas in the South at this time indicates some degree of political overtone. Minister of Defense Peralta stated to the US Chargé d'Affaires some time ago that he would utilize every means at his disposal if necessary. Regarding the AFP, however, Macapagal can be expected to exercise some caution, since Marcos is popular with the military, the majority of whom are Iloconos from the North. Reports also indicate that the government plans to take many popular measures, including tax amnesty, distribution of much needed rice in various regions just prior to the elections, etc., and can probably find many other ways to improve the government's image in such a way as to have considerable impact before 9 November.

2. Regardless of his seemingly better position in terms of manipulation, Macapagal nevertheless has problems. Although he has already used virtually every legal and illegal means to acquire and distribute funds, information indicates there is a serious shortage of money; at least money in the quantity Macapagal may feel is required in the remaining weeks. Macapagal must also make every effort to keep various important supporters behind him, especially in the face of an increase in Marcos' lead, which would carry with it a bandwagon reaction. A case in point would be a switch by Pendatun, which in turn would threaten the Macapagal stronghold in Mindanao. The position of the bloc-voting INK, which claims to be able to deliver between 200,000 and 800,000 votes, is apparently not yet fixed. Latest information from NP sources claim the INK will back Marcos (and Macapagal's running mate Roxas), but there is no certainty that Bishop Manolo of the INK may not opportunistically switch at the last moment. There is little doubt that Macapagal is concerned. Both LP and NP highlevel sources report that Macapagal will have 400,000 fraudulent votes in Cotabato, Surigao, North and South Lanao (all in Mindanao), Cebu, and Iloilo. The same sources claim the NP will have 100,000 fraudulent votes, but no specific region is known.

#### *Possible Trouble and Violence*

1. Tension is clearly rising as we enter the last two weeks of election, and tension will continue until the final results are known and accepted. The candidates themselves contribute to fears of violence by charges that opponents are resorting to violent tactics or threatening them. Macapagal alleges Marcos has threatened to shoot Macapagal in the event of an LP victory, and that a "select group" of Nacionalistas have hatched a plan for post election trouble. In view of Peralta's statements to the Chargé d'Affaires that he would do whatever was



necessary, and in view of Liberal Party intentions as expressed to Embassy officers of manipulating returns in Mindanao, the Macapagal charges may be a smoke screen to hide his own post election intentions.

2. The Nacionalistas are not in a position where they can foment violence or trouble that could not be dealt with by the Constabulary and the Army. Macapagal's capability in fomenting disorder is limited only by pro-Marcos sentiment within the AFP officer corps. Marcos on the other hand could obtain a more sympathetic hearing from the Senate. Marcos has also made a campaign issue of his respect for the Supreme Court in contrast to Macapagal's constant rebuffs by the High Court. It would appear likely that Marcos will take his protests, if any, through the Senate and the Courts. Macapagal's most practical recourse is through manipulation and force majeure.

3. Possible post election difficulties might take one or more of the following forms:

*A. Nacionalistas*

1. In the event of an early Macapagal lead, the NP would scour the country for evidence of fraud and manipulation which they could utilize for contesting the election in the courts or justifying a refusal to certify results by the Senate.

2. Publicity given to NP proof of fraud, legitimate or manufactured, might well inspire protest rallies which could lead to civil disturbances and to further breakdown of law and order.

*B. Liberals*

1. Unnecessary deputizing of the Constabulary and their pro-administration activities could lead to clashes with local government and police.

2. If Marcos was leading in the early returns, an all out effort might be made to ensure that appropriate late returns from "the birds and trees" of Mindanao would ensure a Macapagal victory.

3. Civil disturbances might result if the administration suspended election reporting by the Philippine Jay Cees and the Philippine News Service in an effort to avoid obvious contradictions in election results.

4. If Macapagal imposed Martial Law to ensure blatantly fraudulent returns or to counter post election moves by the NP, pro-Marcos sentiment within the Armed Forces could even crystallize into a coup d'etat in favor of Marcos.

5. Calling in the military either by Martial Law or extensive deputizing of the Constabulary would only result in a further deterioration of normal law and order in the Philippines.

C. In the event of a closely contested election, which is certain to occasion flagrant vote manipulation by the administration, a growing disillusionment with the democratic process would probably develop.

The electorate would become increasingly vulnerable to the appeal of radical alternatives.

4. Despite growing talk of violence and manipulation, the Philippines is generally expected to maintain its reputation for generally orderly and relatively honest elections. General Rigoberto Atienza and Brig General Flaviano Olivares, Armed Forces and PC chiefs, respectively, have pledged honest and orderly elections in a direct meeting with the President of the Nacionalistas Party. However, in view of the probable closeness of the election, the possibility of post election trouble should not be underestimated.

*A Pyrrhic Victory?*

In the final analysis, and ruling out a bandwagon sweep for Marcos in the last weeks, which seems doubtful, Macapagal may be expected to win the elections. This is not to say that Macapagal will ever feel secure enough not to utilize to the fullest all means at his disposal, which in turn could inevitably increase the tension in the Philippines to the breaking point, during and/or after the elections if the results are close. Marcos probably does not have the capability to match Macapagal and the machine. Regardless of a Macapagal or Marcos win, the Philippines as such, and specifically the Filipinos, stand to gain very little indeed. Interesting as the current elections may be, the principal fact which they point up is a continued deterioration in the Philippines situation. The elections serve to aggravate and perhaps make more readable that situation; there is little chance the results will improve it.

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**316. Memorandum From the Chief of the Far East, Directorate of Operations (Colby) to the Assistant Secretary of State for Far Eastern Affairs (Bundy)**

Washington, November 1, 1965.

[Source: Central Intelligence Agency, DDO Files: Job 78-00061R, Philippines, 1965-1966. Secret. 3 pages of source text not declassified.]

**317. Information Memorandum From the Assistant Secretary of State for Far Eastern Affairs (Bundy) to Secretary of State Rusk<sup>1</sup>**

Washington, November 5, 1965.

SUBJECT

Philippine National Elections, Tuesday, November 9, 1965

1. *The race for President*, opposing Senate President Ferdinand Marcos (Nacionalista) to incumbent President Diosdado Macapagal (Liberal), is extremely close, with the victory margin unlikely to be over 2 to 400,000 votes (3 to 6 percent) of a total expected vote of some 7–7.5 million. (The third-party candidate, Raoul Manglapus (Progressive) is given no real chance of victory, though he may poll close to 20 percent of the total vote.) There is thus a distinct possibility of strong contest of the results by the defeated candidate, and of delay in his concession. Even though there are chances of scattered and perhaps some serious violence and disorder, we believe on balance that the contest will be by and large settled peacefully and probably within a period of one to three weeks after the elections.

2. If Macapagal is re-elected, we can expect him promptly to call a special congressional session to enact the bill to send an engineer task force of some 2500, including security elements, to Viet-Nam. We can also expect continuation of the basically cooperative Philippine attitude in response to our various requests for expanded use of US bases and facilities in support of the Viet-Nam war effort. (For example, we are rapidly building up an important US Air Force facility at Mactan Island, Cebu, on the basis of a combined use arrangement with the Philippine Air Force.) We can further expect to move forward with reasonable speed in the elimination of so-called irritants (military and economic) in US-Philippine relations, and to continue to find the Philippines solidly aligned with Free World purposes and objectives. On the other hand, it is not likely that Macapagal, in his second administration, will make significantly more progress in terms of urgently needed programs of internal development than he did in his first. Internal problems in the Philippines might, consequently, become very acute in the not too distant future.

3. If Marcos wins the Presidency, we will first of all have a difficult lame-duck period of some two months before his inauguration (Decem-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 14 PHIL. Secret. Drafted by Paul M. Kattenburg, Officer in Charge of Philippine Affairs, and cleared by Cuthell.

ber 30). It is unlikely that we could make much progress on aid to Viet-Nam during that period, although it could be used to bring Marcos and those likely to emerge as his closest associates more fully aboard than they are now on this question. Marcos can be expected to be generally cooperative in seeking solutions to current Philippine-American problems, and to continue basic Philippine orientation toward Free World purposes and objectives. Nationalist elements around Marcos, however, are likely to make a strong bid for influence in the event of his victory. We might therefore have more difficulties than we would with Macapagal on foreign policy. On the other hand, Marcos and the group around him might be more dynamic and effective in moving the country forward internally.

4. *The Vice Presidential election* will probably be won by Senator Gerardo Roxas (Liberal), as against his opponents, Senator Fernando Lopez (Nacionalista) and Manuel Manahan (Progressive). The possibility of a Marcos-Roxas Administration therefore distinctly exists. If elected, Roxas might emerge as Foreign Secretary under either Macapagal or Marcos, but the prospect is uncertain. Roxas is an honest and able younger politician and his probable victory is to be welcomed.

5. Although it is difficult to predict which of the two main parties will control *Congress*, it is likely that the Liberals will emerge with slight majorities. In any case, enough post-electoral defections to the party of the winning President are likely to occur, to give the latter an opportunity to obtain support for his legislative program if he shows the requisite qualities of leadership and determination. This was not always the case during the last two years of the Macapagal Administration.

6. Whoever wins November 9, it will be most important that we get close to the President-elect and contribute in influencing him to take the steps required both to enhance Free World objectives in the area and for forward movement in solving the Philippines' badly neglected internal problems.

**318. Telegram From the Embassy in the Philippines to the Department of State<sup>1</sup>**

Manila, November 26, 1965, 1022Z.

1004. Post-election analysis—Presidency.<sup>2</sup>

1. With outcome Vice Presidential and Senate contests still undecided, Embassy has been deferring comments on what we may expect from new administration since identity of next Vice President and Senatorial lineup will have bearing on situation. Following observations therefore relate only to significance of Marcos takeover from Macapagal.

2. Most basic consideration is probably that Marcos will be unknown quantity in lonely eminence of Presidency. Whereas both Macapagal and Marcos prize power, former sometimes appeared inept in its use and unsure what he wished to do with it. Marcos appears to measure it carefully and to be very sure of uses to which he puts it. Up to now, basic objective of his harnessing power has of course been to gain the Presidency.

3. What Marcos really believes in, what his goals are, and how he proposes to go about achieving them, are largely matters of conjecture. To some degree, he has been a guerrilla both in war and during the campaign, placing great emphasis on careful planning, systematic intelligence, secrecy, element of surprise and final massive surfacing of his forces at right time. In gaining NP nomination, and in winning Presidency, he displayed remarkable talents in these areas. Now that he has won Presidency, onus will be on him to demonstrate what his basic beliefs and ideas are.

4. He comes to power accompanied by somewhat similar high hopes which accompanied Macapagal's accession in 1961, except that electorate, having been disappointed once again, may now be still more cynical. At same time, pressure on Marcos to produce will be even greater because (1) basic problems of nation have become intensified and (2) he knows he will probably suffer Macapagal's fate in 1969

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL 14 PHIL. Confidential. Repeated to Tokyo, Taipei, Jakarta, Saigon, Kuala Lumpur, Canberra, Wellington, Bangkok, Vientiane, Singapore, and CINCPAC for POLAD.

<sup>2</sup> The elections were held November 9. In addition to defeating Liberal candidate Macapagal, Marcos also defeated the newly formed Party of Philippine Progress Presidential candidate, Raul Mangalapus. Marcos received 3,816,324 votes, Macapagal received 3,187,752 votes, and Mangalapus, 384,564 votes. The Embassy's assessment of the reasons for Marcos' victory is in telegram 949 from Manila, November 19. (Ibid.)

unless he does get things moving. Good government may therefore be the best politics for him.

5. There are those who assert that era of corruption under Garcia will return in magnified form. A more balanced view would be that Marcos has very considerable potentialities, and that coming years will show whether these potentialities will be exerted for high or sinister purposes. Pres Macapagal recently observed, as earlier reported, that Marcos was brilliant but unscrupulous, but that great responsibility might sober him. Secretary of Defense Peralta's comment was that Marcos would double-cross us if he could and that we should not let him put anything over on us.

6. The assertion, circulated by Macapagal's propaganda machine and widely disseminated by visiting US newspapermen, that Marcos will be much in debt to ex-Pres Garcia, the Lopez interests, the "nationalists" or any other group, appears questionable. He has of course some political debts to discharge, but because of way in which he figuratively seized Nacionalista nomination and then largely single-handedly won election, he will assume Presidency with fewer political drafts on future than probably any of his predecessors.

7. There would appear to be at least some grounds for cautious optimism toward future. Marcos is realist with high awareness of pragmatic and empirical considerations. He weighs and sifts facts carefully, considers numerous angles and acts only after searching consideration and assessment. Once decisions are reached, however, he displays generalship of high order in implementing them.

8. Furthermore, there is some evidence that Marcos is more keenly attuned to needs of country than his critics give him credit for. Woeful conditions throughout nation seem to have had considerable impact on him in his extensive travels in past year. His speeches reflected increasing bitterness, in a manner that seemed to be more than merely campaign oratory, at Macapagal administration's largely ineffectual attempts to improve people's welfare. If theory is correct that Marcos has high absorptive capacity and is greatly influenced by things he is exposed to, then his nationwide observations may serve valuable purpose.

9. Marcos' first preoccupation must inevitably be with domestic affairs in view of facts that government till may be almost empty, that the stability of peso must be defended, and that severe demands are imposed on administration by rapidly growing population. His qualities of decisiveness will promptly be put to test, with some hope that he will get down to deeds rather than words and govern rather than campaign as did Macapagal. Much will depend on caliber of membership his Cabinet, and extent to which he can make them function as a team. Judging by his past performance, it would seem evident that he

will be the boss in unmistakable fashion. His knowledge of the Legislative branch, based on service in both houses, and his ability to play role of conciliator and find common denominator, may serve him well. His "ruthlessness" may prove useful in that elements tempted to free-wheel under another kind of leadership may be concerned that there will be retaliation if they get out of line. As former long-time Liberal, Marcos has many friends in opposition party and may have some success in gaining their cooperation on basis that nation needs demand bi-partisan approach.

10. In foreign affairs Marcos may be in very different position of feeling his way for some time. Road to Presidency in Philippines is not via international matters, and Marcos has accordingly not concentrated on these, even though his reading has probably been extensive. He will probably desist from any personal initiatives until he has first got grip on pressing domestic matters. At same time, he may insist on personal direction of important foreign policy matters, especially where actions involve any change of course from those taken by outgoing government. In military field, he may well act as his own Secretary of Defense and will undoubtedly establish closer relations with military than did Macapagal.

11. Sphere of US-Philippine relations will be highly important to Marcos as it was to Macapagal. With his sensitivity to power considerations, Marcos is well aware of US influence and role in Philippines and Southeast Asia. His public attitudes now are Phil nationalism has been a balanced one; Phils should not engage in wanton anti-Americanism but should expect to deal with us on basis of mutual respect. (He feels US and Philippines are "mutually dependent.") His emissaries have given encouraging indications of his desire to get off on right foot with us, and we can perhaps expect a goodwill period of some duration, particularly in dealing with matters on which he is less familiar than we are. He is nevertheless an Oriental who sets great store by friendliness, prestige and face, and it will be in our interest to bear this in mind. Impression we make on him in early months both in Washington and Manila will be of considerable significance. We must be prepared for shakedown period which may last as long as one year, and not look too askance at whatever initiatives may be forthcoming.

12. For his part Marcos may privately be somewhat apprehensive despite his display of external confidence, hoping that he will succeed in making good impression on us. Although he has not questioned its propriety, he is a trifle sensitive as to the apparent intimacy which President Macapagal and his closest associates enjoyed with the US. Since rightly or wrongly he is personally convinced that both on record and in terms of his own attitudes no one is more committed to the US than he, it is in our interest to assure him, as we are doing, of our

friendliness and confidence, particularly in the first few months, when he will be attacking pressing domestic problems. We shall not necessarily receive same 100 percent cooperation we had from Macapagal in foreign affairs—although initial indications are encouraging—since we shall now be dealing with much stronger personality who may be less compliant at times but who may also be instrumental in creating a stronger Philippines, which is in our interest. By giving Marcos and his principal advisers maximum exposure to US views and by being as responsive as possible to their approaches, we should have good chance of ensuring that orientation of new administration is largely favorable to US and free world.

Blair

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### 319. Telegram From the Embassy in the Philippines to the Department of State<sup>1</sup>

Manila, December 14, 1965, 1259Z.

1161. Ref Embtel 1159.<sup>2</sup> Subj Dec 13 meeting with Marcos—various subjects.

1. Phil aid to Vietnam. I said to Marcos this meeting of course not time talk in detail about Phil aid to SVN, but I did want to convey him utter seriousness of my government's hope that Phils as free-world power and country whose interests vitally at stake would increase assistance to Vietnam. He would undoubtedly want to consult with Phil Congressional leaders about sending specific units or elements and mention these might be premature. My govt hoped however would be possible make statement in inaugural address about seriousness Communist aggression Vietnam and his intention do what is necessary and possible that Communism not prevail there. I said US Govt and people would be most favorably impressed if he could do this. Marcos interjected to say he certainly would. I then said US Govt continues hope that Phils will be able to provide at least engineer task force with

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 15-1 PHIL. Secret; Priority. Repeated to Saigon, CINCPAC for POLAD, CHJUSMAGPHIL, CINCPACREPPHIL, 13th AF CAB.

<sup>2</sup> In telegram 1159 from Manila, December 14, Blair reported on other aspects and topic of his meeting with Marcos. (Ibid.)



integral security element, indicating another occasion would be proper time talk about possible specific forces.

Marcos told me he had intended take up question of additional Phil assistance to Vietnam with NP leaders as urgent matter, but problem of Vice-Presidency in Dec 14th session Congress to proclaim winners<sup>3</sup> and other problems had intruded and he had not been able to do so yet. Accordingly it had to wait but he intended to get at it in next week or two.

2. R&R. I said I wanted mention this because of much exaggerated and erroneous speculation in press. I then reviewed rest program at level of about 136 servicemen from Vietnam we have in mind noting no hotels to be leased and that delay in starting is due to completion arrangements on immigration and aircraft clearance procedures. I pointed out Manila only one of several R&R sites in Far East. Told him no decision yet about separate R&R program for Seventh Fleet involving perhaps 200 Navy personnel at any given time. I said of course if US strength in Vietnam increases might well be increase in 136 for Phils but not "thousands" to which columnists now referring.

This is only subj on which Marcos took notes. He wanted know, before I explained, what is holding up initiation of the program, and seemed surprised at small number we propose bring here from Vietnam. He indicated he had no objections to R&R program and made disparaging remarks about press coverage of matter and about Phil press in general.

3. Nuclear-powered ships. I told Marcos I wanted mention arrangements I had with Pres Macapagal regarding visits these ships to Subic Bay. Emphasizing tremendous importance of these ships to free-world deterrent power in Far East, and noting visits not frequent, I told him of arrangement under which I informed only Pres Macapagal or SecDef in advance of arrival. I said if he agreed I propose continue this arrangement, keeping information oral rather than written. I said if he wanted I would give the info also to FonSec and SecDef to be closely held, but not to members of staff those departments.

Marcos said he would like me to continue present arrangement and perhaps give it also to SecDef, mentioning at this point that he had not yet decided who would be his Defense Secretary.

[1 paragraph (5 lines of source text) not declassified]

In closing I invited him visit *Enterprise* next time it in, perhaps Jan, and he said he hoped very much visit ship but Jan might be

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<sup>3</sup> The separate election for Vice President, also held on November 9, was much closer than the Presidential contest. Nationalist candidate Fernando Lopez defeated Liberal candidate Gerardo Roxas by 3,531,550 to 3,504,826 votes.

too soon. Marcos indicated in course this discussion he fully comprehended the significance of these ships for free-world defense in Far East area.

4. Base-land relinquishments. I informed Marcos we seem to have reached agreement with DFA on relinquishments agreement and that since we have negotiated it over many months with Macapagal administration we would be prepared, if present administration wants do so, go ahead and finalize agreement.

Marcos nodded his assent and indicated he had no objection to our signing the agreement before his inauguration. (See septel for his comments to press bearing on this topic and subsequent message to me through Ben Romualdez that he had reconsidered and would like us to drag our feet on this.)<sup>4</sup>

5. Koreans at Clark Hospital. Referring to large Korean contingent in Vietnam, and US support of these forces including medical assistance, I told him some Koreans being evacuated to Korea through hospital at Clark. Said battle casualties sometimes arrive within hours after being wounded and under circumstances passport and visa formalities obviously not feasible, said knowing humanitarian instincts Phil people I was sure no objection to evacuating Koreans through Clark. I told him that to assist in translation and other matters, a Korean army medical officer is working at Clark Hospital with our people.

Marcos indicated he had no objection to this, but said firmly that he preferred we should not talk about the presence of the Koreans at Clark—that we should avoid any publicity on this.

6. Tour of US bases. Recognizing he would be extremely busy in next weeks, I said nevertheless our base commanders would be honored if he would visit the bases so that we could brief him about US military activities there. I suggested he might want to take along the FonSec and SecDef and perhaps chairmen of pertinent Congressional committees.

Marcos replied that he would like to do this but was not sure how soon it would be possible because of his busy schedule.

**Blair**

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<sup>4</sup> Not further identified.

**320. Telegram From the Executive Secretary of the National Security Council (Smith) to President Johnson in Texas<sup>1</sup>**

Washington, December 31, 1965, 1526Z.

CAP 65968. Eyes only to President Johnson from Vice President Humphrey.<sup>2</sup> White House pass eyes only to Secretary Rusk. No distribution except eyes only Secretary Rusk. Interim report meetings Prime Minister Sato and President Marcos.

[Here follows an account of Vice President Humphrey's meeting with Japanese Prime Minister Sato.]

2. Philippines discussion<sup>3</sup>

Marcos' response on discussion additional commitments South Vietnam strongly encouraging. Providing US can help in equipping at least one engineering construction battalion plus supporting forces, Marcos virtually assured battalion and supporting forces could be sent. His primary interests are modernization of his armed forces, especially outfitting seven engineering construction battalions, plus using Filipino skilled labor pool for South Vietnam housing needs.

I assured Marcos our closest cooperation, and that if he had the will we would find the means. He said he has the will and that "we will place ourselves squarely in the fight against Communism." Believe intensive discussions can commence immediately to work out details. However, Marcos obviously has ticklish Parliamentary situation in getting authority for combatant forces to South Vietnam through Senate. He appears optimistic and will proceed to seek Congressional approval.

I had frank discussion with him regarding importance of maintenance of military equipment. His response was he has been appalled at previous administration's record in this respect and said any equipment will be maintained.

Marcos suggested Philippine housing program for Vietnam. I suggested US will be more interested when Phil more committed to struggle in South Vietnam. Pointed out that Korea had combat division in Viet and thereby had claim on US procurement opportunities. Marcos

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<sup>1</sup> Source: Johnson Library, National Security File, International Meetings and Travel File, Vice President's Trip, Far East, 12/27/65. Top Secret; Eyes Only. Also sent for information to Bill Moyers.

<sup>2</sup> Humphrey was attending Marcos' inauguration.

<sup>3</sup> A memorandum of conversation of this meeting, apparently prepared by Valenti, is in the Johnson Library, Office of the President Files, Valenti, Jack, Memoranda of Conversation, Japan, Philippines, Taiwan, Korea, 12/65–1/66. According to this memorandum, the meeting took place in the Presidential Palace in Manila and lasted from 11:50 a.m. to 1 p.m. Humphrey's own brief summary of his discussion with Marcos is ibid., National Security File, Name File, Vice President, Vol. I.

understood. Following meeting Marcos PressSec released statement indicating strong consideration being given by Marcos to troop commitment and his plans to take matter to Phil Congress.

Marcos is strong, confident and competent. Clearly a good bet as a reliable friend of the US and has potential to become strong leader in Asian world. He is responsive to plain friendly direct talk and I would encourage invitation to visit you latter part of 1966.

Ambassador Blair and I had very private discussion with Marcos and his FonMin concerning your special instructions regarding bombing, Rome and Warsaw.

During visit Manila have stressed importance of Asian friends speaking up on danger of Communist aggression to them. Held such discussions with FonMin Thanat of Thailand and Genl Pham Xuan Chieu of Vietnam's Armed Forces Council.

Will prepare more details these and subsequent discussions immediately upon return Washington. Summary of discussions in Taipei and Seoul will be cabled immediately direct to you.

### 321. Telegram From the Department of State to the Embassy in the Philippines<sup>1</sup>

Washington, December 31, 1965, 3:29 p.m.

1176. For the Vice President only from McGeorge Bundy. There are press reports here that you asked Marcos to "immediately" step up his country's aid to Vietnam.<sup>2</sup> It is very important that we avoid all appearances of pressure on Marcos during his inauguration and we hope that you can find a way of setting the press record straight before your departure. We assume Marcos himself was eager to join the statement on this subject which appeared after your meeting with him but it is essential here that there be no appearance of crude U.S. pressure now. Moreover what we hope for from Marcos may be substantially

<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 27 VIET S. Secret; Exdis; Flash. Drafted in the White House, cleared by William Bundy, and approved by Read. Repeated to the White House.

<sup>2</sup> In a conversation with McNamara on December 31 at 10:33 a.m., the President expressed concern about Humphrey's raising the issue of Philippine troops for Vietnam. (Johnson Library, Recordings and Transcripts, Recording of a telephone conversation between Johnson and McNamara, December 13, 1965, 10:33 a.m., Tape 6512.05, PNO 3)

larger than the items discussed in your conversation with him and it is desired here that there be an open track for very serious talks later.

You will know better than we what the exact form of any statement should be. My suggestion is that your farewell comments at the airport you might wish to make it clear that your purpose was to attend the inauguration, to explain U.S. policy of peace, and to ask for nothing, and that what you found is a friend who will make his own decisions as we make ours in the light of interests and purposes of his own people. We believe emphasis on peace would be helpful also to make clear that our trip is major element in President's far-flung effort to move in that direction.<sup>3</sup>

**Rusk**

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<sup>3</sup> Humphrey cabled Johnson from Korea that Marcos had inserted the word "immediately" into the statement about Philippine intentions to associate more closely with the "Free World" in the region. Marcos' press secretary then gave the correspondents the impression that Marcos would ask for immediate Congressional approval for the Philippines' contingent. Humphrey stated that there was "no conceivable element of pressure" in his talk with Marcos, and both he and Marcos emphasized "our relentless search for, and devotion to peace." Humphrey promised that he would stress that fact again when providing background to U.S. correspondents traveling with him. (Telegram from Smith to the President, CAP 66008, undated; Johnson Library, National Security File, International Meetings and Travel File, Vice President's Trip, Far East, 12/27/65)

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## 322. Memorandum From the President's Special Assistant (Valenti) to President Johnson<sup>1</sup>

Washington, January 4, 1966.

### SUBJECT

Suggestions Emerging from trip to Japan, the Philippines, Taiwan and Korea<sup>2</sup>

### *Suggestions*

1. *We need Asians to take the lead in Asian affairs.* Best asset to US is strong Asian leader, who is our friend, who understands us, and is

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<sup>1</sup> Source: Johnson Library, National Security File, International Travel and Meetings File, Vice President's Trip, Far East, 12/27/65. No classification marking. There is no indication on the memorandum that the President saw it, but Valenti wrote "Bundy" on the first page.

<sup>2</sup> Valenti accompanied Vice President Humphrey on his Far East trip.

prepared to weld Asians together toward objectives that coincide with our aims.

*Suggest we bet on Ferdinand Marcos of the Philippines as having good potential for this kind of tough, charismatic leadership.*

2. *Let Asians take up the burden we have been carrying—on the battlefield—and in the farm fields.*

a. *Equip two or more Korean divisions, and send them to Vietnam. They could easily take the place of 30–40,000 Americans.*

The price we pay for this is cheap—for the equipping Koreans is at the ratio of 5–1 to 10–1 for the same equipment of the same number of Americans. Moreover, the Koreans are competent jungle fighters—and are ready to fight.

b. *Through program grants to the Chinese on Formosa, let them carry to Africa and parts of Asia, the program we have been burdened with: —technical assistance in agriculture primarily. The cost of doing this through Chinese instead of Americans is, again, a ratio of 3 to 1 to 5 to 1. Moreover, the Chinese are competent agronomists—in the area of giving self-help to less developed countries, they can do the job at less cost and equal efficiency.*

#### *Explanations*

1. *Asians take the lead in Asian affairs.*

—It makes sense to put our money on Asian leaders who have already built their base as a democratic leader, and not have to prop up either a dictator, or a chief of government who is on shaky domestic ground. Marcos is no puppet. In fact, he needs to be a little independent of us in order to make rational and credible his leadership.

—Some of the people in the Manila Embassy are skeptical—as well they should be. Macapagal came into office with the same glittering hopes only to dash them with the usual ineptness later.

—Marcos could be different. He's exceptionally bright (he set an all-time record for the bar exams); one of the most inspiring orators in Asia; and toughly realistic. I suspect he wants to be a great president, and is willing to do unpalatable things in order to achieve that greatness (i.e. stop smuggling and corruptness, as well as put his fiscal house in order).

—If we can work with him, and give him what help we can within reason, Marcos could become a rallying point in Asia.

—*In any case, the problems of Asia must be solved by Asians, and Marcos has the gifts of brain and courage to do those things that need to be done, but which need an Asian cover to be done.*

*Note:* Marcos invited me and Lloyd Hand through his brother-in-law, Ben Romualdez (who possibly will be the closest man to him, and the one to whom he will listen with more credibility than any other) to play golf with him on his first day in office. We teed off at 6:30 am!

He obviously wanted to let me know his regard for President Johnson; and to emphasize his aims of putting the Philippines in apple-pie order. He is a professional politician, with all the sure-footed instincts of a pro.

He mentioned he was going to re-organize the Army, establish the Constabulary (police force) as an independent arm (it is now part of the Defense Department); and try to bring fiscal order out of the wildly porous financial structure now existent. Without being sychophantic he made it clear he wanted to cooperate with U.S.

*I recommend that we invite him to come to the States for an official visit sometime this year.* Obviously he can't come right now, but sometime after June, he could be ready.

He never brought this up—but I find it persuasive that the President ought to size him up personally; take his measure so we can determine how and what we need to do to get leadership among non-communistic Asian nations.

[Here follows discussion of Korea, Taiwan, and Japan.]

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### 323. National Intelligence Estimate<sup>1</sup>

NIE 56–66

Washington, February 17, 1966.

#### PROSPECTS FOR THE PHILIPPINES

##### The Problem

To estimate the prospects for the Philippines for the next two or three years.

##### Conclusions

A. Though its problems are not critical in the short term, the Philippines confronts many of the same underlying difficulties that beset other states of Southeast Asia—land hunger in the countryside;

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<sup>1</sup> Source: Department of State, INR/EAP Files: Lot 90 D 165, NIE 56–66. Secret; Controlled Dissem. A table of contents and a map are not printed. A note on the covering sheet indicates the estimate was prepared by the CIA and the intelligence organizations of the Departments of State and Defense and the NSA. The USIB concurred with it on February 17, with the exception of the FBI and AEC representatives who abstained on the grounds that the topic was outside their jurisdiction.

unemployment in the cities; and a grinding poverty for the overwhelming majority of the people. The situation is aggravated by widespread violence and lawlessness, and by corruption in government. (Paras. 1-12)

B. Hopes for change are now focussed on the incoming President Marcos, a capable and forceful man. Marcos seems aware of the country's problems, but it is not yet clear how effectively he will cope with them. If he fails to reduce economic discontent and to achieve greater honesty and efficiency in governmental affairs, public disillusionment is likely to grow and political stability could be seriously undermined. (Paras. 13-19)

C. Though lawlessness is pervasive, Communists do not constitute a major subversive threat to the Philippines, and are not likely to do so over the next few years. (Paras. 20-23)

D. Marcos is an anti-Communist and supports the US on most issues respecting the Communist world. He is also a strong nationalist and will seek greater equality for the Philippines in its dealings with the US, particularly on those issues involving US military bases and special US economic privileges. However, Marcos is unlikely to hamper effective US use of its bases so long as he is satisfied that such uses do not run counter to Philippine national interest. He will press the Congress to dispatch a proposed Philippine engineer contingent to South Vietnam and can probably gain its approval, though he may have some trouble in the Senate. (Paras. 24-32)

### Discussion

#### 1. Domestic Problems and Prospects

1. *Introduction.* The Republic of the Philippines has many problems, though few are as immediately critical as those facing other Southeast Asian states. There is no present external threat to its independence. There is no serious internal subversion or insurgency, and the authorities are sensitive to potential dangers of this sort. There is virtually no chance of an attempted coup; democratic elections are the accepted method of achieving political power. No major economic crisis is on the horizon. All of these assets are reinforced by feelings of military, political, and economic security derived from a "special relationship" with the US.

2. For all of its present advantages, however, the Philippines faces, in the long run, many of the same underlying difficulties and limitations that confront its less fortunate neighbors. The key problem is a deep and growing economic cleavage between upper and lower classes, and the failure of successive administrations to carry out programs adequate to remedy this situation. The situation is aggravated by the prevalence of widespread violence and lawlessness in the cities and in the country-



side, and longstanding and pervasive corruption in government. Hopes for change are now focussed on Ferdinand Marcos, the newly-elected President. Should he fail to deal adequately with these problems during his four-year administration, Philippine political stability and democratic institutions could be seriously undermined.

3. *Problems.* Discontent among the peasants, who comprise almost two-thirds of the Philippine population, stems primarily from a feudalistic system of land tenure and unsatisfactory landlord-tenant relations. About 40 percent of the farmers in the Philippines—and a much higher proportion in the densely-settled central lowland of Luzon—are tenants, most of whom customarily pay at least one-half of their crop to wealthy absentee proprietors. The rapid rise in population over the past 60 years has led to increased tenancy and to a reduction in the size of the average owner-operated farm. The peasant lives only a little above a bare subsistence level, and his annual income has not increased over the past decade. The financial insecurity of both tenant and smallholder is aggravated by chronic indebtedness at high interest rates. The farm population is further handicapped by the persistence of one of the world's lowest levels of agricultural productivity; yields per acre of rice and corn, the principal crops, have not increased significantly over the past century.

4. In the urban areas, the major problem is unemployment. There are an estimated 750,000 unemployed and at least two million underemployed in the country's work force of 11.5 million. Each year an additional 375,000, including 25,000 college graduates, seek employment, normally exceeding the number of new jobs being created. In the cities, the pressure of a large unproductive manpower pool is manifested in low wages, poor working and living conditions, high crime rates, and other serious social problems. Among the educated unemployed, radical causes tend to flourish.

5. These problems have been intensified in recent years by a general upward trend in living costs and lags in wages which have widened earlier inequalities in the distribution of wealth. Although Philippine real national income per capita generally rises slightly each year, the gains tend to accrue to the wealthy, while among the rural and urban poor, real wages and living standards usually decline. In Manila, real wages for skilled and unskilled industrial workers have declined about 20 percent over the past decade, and the luxury consumption of the wealthy contrasts most markedly with the extreme poverty of the general population. Offsetting this picture to some extent is the steady rise of a middle class entrepreneurial group.

6. Philippine governments have been largely ineffective in efforts to ameliorate these basic problems. In the field of land reform, for example, a modest legislative start was made under President Magsay-

say (1954–1957), but soon bogged down in administrative indifference. President Macapagal's land reform program, passed in 1963, was designed to abolish share tenancy in favor of lease-holds, to control agricultural rents, and to raise the wages of agricultural workers. The basic law itself is a good one. But the Congress has subsequently provided only very limited budgetary support for the program, land-owners have impeded its implementation, and wage minimums have not been enforced by the government.

7. The Philippine political system does not lend itself to bold initiatives or sustained performance by the government in the fields of economic development and social welfare. There are two major parties—Nacionalistas and Liberals—and both are representative of the same conservative landed and commercial interests. Other elements of the population have few channels through which to influence the workings of the government. Third parties which occasionally emerge to espouse reform have so far lacked the grass-roots organization necessary to achieve electoral strength and a major voice in government.

8. Conservative forces in the Philippines, by tradition and interest, favor a very limited governmental role in economic affairs. In facing problems of economic development, succeeding administrations have adopted a relatively passive role, seeking to create a climate favorable to the growth of domestic—as opposed to foreign—private enterprise. Their concepts have not included major government investment in those items of infrastructure—transport, communications, electric power, water supply, and irrigation facilities—essential to increased agricultural and industrial output. Annual capital outlays by the government have not increased over the past five years, and whatever small direct contribution has been made to economic development has been largely dissipated in individual “pork-barrel” projects.

9. There are other built-in handicaps to any broad-gauge governmental attack on economic problems. Foremost is the insufficiency of government revenues because of a narrow tax base, poor tax administration, and wholesale evasion and smuggling. Smuggling costs the government an estimated \$100 to \$200 million annually in revenue. Government operations are also severely handicapped by a system of social values which accepts graft, corruption, and nepotism as normal in government. Most politicians and officials act mainly in the pursuit of financial benefits to themselves, their kinsmen, and their associates.

10. In consequence, the burden of economic improvement has fallen on private interests. Private domestic investment in manufacturing, stimulated by favorable foreign exchange and import controls, was the principal force behind the growth of the national economy during

the 1950s when real output increased by an average of 6 percent annually. In recent years, growth has slowed to 4 to 5 percent annually, a pace that only narrowly exceeds the rate of population increase. This stands at about 3.5 percent, one of the world's highest.

11. Prospects for a return to earlier industrial growth rates are poor. Expansion in the 1950s focussed on production of consumer goods for the home market. The costs of the expansion were borne by raw material exporters, who were forced to exchange their hard currency earnings for overvalued pesos, and by domestic consumers paying higher prices. Exchange reforms in 1962 (whereby export earning could be converted into pesos at a free-market rate almost twice the earlier official rate) led to increased import costs for raw materials and capital goods and, indirectly, to a tightening of domestic credit to defend the value of the peso. Moreover, tightened domestic credit, which is still in effect, has come at a time when the most profitable industrial opportunities are in capital-intensive ventures requiring large initial outlays. The government contributes to the credit squeeze by financing its deficits through the same handful of public institutions that normally provide capital to the private sector. The resulting competition for loans has denied credit and expansion opportunities for many enterprises which got their start in a more protected atmosphere.

12. In agriculture, the picture is even less promising. The average peasant lacks the incentive, knowledge, and funds required to improve his crop yields. Landowners and others with enough capital to improve their land or open up new acreage have generally found real estate, moneylending, and other commercial ventures more profitable, though landowning families increasingly are channeling capital into productive industrial enterprises. Agriculture today provides one-third of Philippine national income, but only 6 to 7 percent of the Philippines' annual capital investment is devoted to it. Low crop yields and a rapidly increasing population have over the years forced the country into costly subsidies and imports of rice, the principal food staple.

13. *Prospects.* President Macapagal failed of re-election in November 1965 essentially because he had not brought about the improvements in living standards which he had led the voters to expect. President Marcos has recognized the necessity for prompt action to improve economic conditions. To assist industry, he proposes to ease credit arrangements, to crack down on smuggling of manufactured goods, particularly cigarettes and textiles, and to re-examine the tariff structure. At the same time, he advocates new incentives for foreign investment. He also proposes an extensive program of public works, including power and water supply facilities, and roads. He has established a task force to prepare the necessary legislation for the present session of Congress.

14. Marcos' proposals indicate that his will be the traditionally conservative approach to economic problems. The emphasis is on improvement within the constraints of existing revenues. There are only vague bows in the direction of tax reform, and he is pledged above all to balance the budget and defend the peso. He is relying on governmental "austerity" and greater bureaucratic efficiency and honesty to cut expenditures, and upon improved collection of taxes, particularly import duties, to increase national revenues. In these ways, Marcos hopes also to reduce the government's requirements for domestic credit so that private needs can more easily be met.

15. Marcos has expressed some interest in putting more teeth in the existing land reform code and in improving agricultural credit facilities. However, his immediate focus in the agricultural sector appears to be increased production of rice and corn. By reorganizing governmental agencies involved in stimulating the production and marketing of these commodities and by adopting more realistic pricing policies, he seeks to provide some new production incentives. There are also proposals to build irrigation facilities, tapping foreign sources of funds if possible.

16. Marcos' economic program will face the same opposition that has stymied earlier reform efforts. Marcos, however, has certain assets not available to Macapagal or even to the revered Magsaysay. One is his outstanding legislative experience; he has served in both houses of Congress and has held the powerful office of President of the Senate. Another asset is his connections in both major parties; until becoming the Nacionalista presidential candidate in 1964, he was a lifelong Liberal. His administration has gotten off to a promising start with the election of a Nacionalista as Senate President and a friendly Liberal as House Speaker. Finally, Marcos is considered to be extraordinarily effective in the government process—intelligent, self-confident, and forceful to the point of ruthlessness, yet a "team man" capable of accepting a useful compromise.

17. Nevertheless, Marcos will undertake his program with certain handicaps. His Nacionalista party does not presently hold a majority in either the Senate or the House of Representatives.<sup>2</sup> And even among Nacionalistas, many old-line politicians are not particularly enthusiastic about Marcos' proposals. To carry out his program, therefore, he must win over Liberal congressmen plus the reform-minded senators of the small Party for Philippine Progress (PPP). The traditional lack of party discipline makes it likely that at least some Liberals will defect "perma-

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<sup>2</sup> The Senate consists of 12 Nacionalistas, 9 Liberals, 2 members of the Party for Philippine Progress (PPP), and 1 Independent. In the 104-member House of Representatives, the Liberals hold a majority of about 20 seats. [Footnote in the source text.]

nently" to the administration party and that many more will break ranks on specific issues. However, Liberal support is likely to be costly in terms of patronage and favors, and may even require certain legislative sacrifices by Marcos.

18. It is probable that in 1966, in the first flush of his electoral victory, Marcos will succeed in getting important parts of his economic legislation through the Congress and in effecting major administrative reforms. Some proposals may be dropped by Marcos himself in political horse-trading, while others may fail to pass the Congress. Experience indicates that implementation of certain measures, even if passed, would remain in doubt. And even if reasonably successful in implementation, his programs are unlikely to do more over the next few years than halt the current economic slippage and provide a mild stimulus to agricultural and industrial production. In the longer run, achievement of greater honesty and efficiency in the government could have a much more profound impact on the nation. Vigorous efforts to galvanize the Congress and the discredited bureaucracy into effective action would help restore public faith in the democratic process. Success in carrying through present plans might also embolden the dynamic Marcos to attempt more far-reaching and difficult reforms, particularly those tax measures which would increase the funds available to the government for economic development.

19. On the other hand, if Marcos proves ineffective in gaining congressional approval for most of his economic program or in restraining venality in the bureaucracy, the public esteem which he now enjoys would rapidly evaporate. Reformist parties might succeed in deflecting some of the resulting discontent into legitimate political channels, but there would obviously be opportunities for groups with extremist solutions, including the Communists. The Philippines could probably continue in a condition of inefficiency and immorality in public life for several more years without political upheaval, provided that there are no unusual economic stresses. In the longer run, however, it is likely that far more comprehensive remedies than those so far suggested by Marcos, and a greater degree of direct government investment in the economy, will be necessary to satisfy the aspirations of the mass of Filipinos. Unless the major parties can adjust to these needs, other more radically inclined political parties or organizations are likely to emerge.

## *II. Internal Security*

20. The government has had very little success in coping with widespread violence and lawlessness. There is a general disrespect for law and order, a strong tendency toward violence as a way of settling personal and political disputes, an easy availability of firearms, and inadequate and often dishonest local police and judiciary. Marcos has

expressed an intention of reducing lawlessness, and a vigorous attack on these conditions might have some success in certain areas, e.g., Manila. In general, however, these conditions are too pervasive and deep-rooted to permit much improvement in the short term.

21. Despite this general lawlessness, there has been no major subversive threat to the integrity of the state since Magsaysay suppressed the Communist-led Huk rebellion about 10 years ago. However, the Philippine Communist Party (PKP) has managed to survive as a small, loosely-organized, underground movement. It emphasizes nonviolent subversive activities in Manila and other urban areas. There are probably fewer than 1,000 hard-core active Communists compared to about 10,000 in 1950. They have concentrated on infiltrating non-Communist organizations and setting up various front organizations, particularly among youth and students, and have had considerable success in capturing the upper echelons of several labor federations. Through the agency of sympathetic newspapers and journalists, they have supported and exploited ultra-nationalistic candidates and causes to assist their own anti-US objectives. Among the peasants of central Luzon, the Party has helped to organize some small left-wing peasant groups and is actively recruiting members. It is in contact too with the remnants of the Huk guerrilla force—the People's Liberation Army (HMB)—estimated at 150 active members plus 2,000 supporters concentrated in Pampanga Province, site of Clark Air Base. The HMB is now chiefly engaged in sporadic terrorism and banditry, including the murder of active opponents and informers and other acts designed to intimidate local authorities and the population.

22. The threat of subversion from Indonesia has become of less concern with the recent waning of Communist influence in Djakarta. Some 10,000–12,000 Indonesian migrants—legal and illegal—in the Mindanao–Sulu area provide a potential transmission belt for Djakarta-inspired subversion addressed especially to the Philippine Muslim (Moro) minority there. Until recently, more serious Indonesian influence was exerted through the embassy in Manila and the consulate in Davao, where agents of the Indonesian Government and the Indonesian Communist Party had established close contact with ultranationalist and leftist Philippine elements. Chinese Communist subversive activity among Filipinos is exceedingly meager at this time, but may increase with the slackening of Indonesian Communist efforts. Among the Philippines' 600,000 ethnic Chinese residents, the number of Communists has been estimated at anywhere from 200 to 2,000. Their primary objective is probably to influence the Chinese community against the Nationalist regime on Taiwan, but they are a potential source of funds for the PKP and a possible link between it and Peking.

23. Neither Chinese, Indonesian, or domestically-inspired Communists constitute a major subversive threat to the Philippines at this time nor are they likely to do so over the next few years. Their activities influence a very small though vocal element of Philippine society. Internal security forces are probably capable, despite the inroads of politics and corruption, of coping with the existing situation. Primary responsibility in this field rests with the Philippine Constabulary, a 16,000-man national police force operated as a component of the armed services. Local police forces are relatively ineffective. The Constabulary is handicapped by inadequate funds, poor training and equipment, low morale, and a widespread reputation for incompetence and corruption. Any significant acceleration in the growth of lawlessness would severely tax its capabilities. The mission of the 14,400-man Philippine Army and the smaller Air Force and Navy includes assistance to the Constabulary in maintaining internal security.

### *III. Foreign Relations*

24. *The US.* Marcos is an anti-Communist and a firm supporter of the US on most issues respecting the Communist world. He is, however, a strong nationalist who has been publicly critical of the US when he believed that its actions conflicted with Philippine interest. On the other hand, he is less concerned than Macapagal with the Philippine image among other Afro-Asians and is unlikely to indulge in as many gestures to assert "independence" of the US.

25. Marcos has stated that the Philippine-US relationship would be strengthened by a revision of existing treaties in the direction of greater Philippine equality. In this connection, he will probably be more insistent than Macapagal on consultation concerning the US use of Philippine bases in support of the Vietnam war. He will base any such representations on the 1959 Bohlen-Serrano understanding.<sup>3</sup> (Most Philippine politicians consider this understanding to be binding although it has not yet been formalized.) Marcos is also likely to press for settlement of other irritants connected with the operation of US bases in the Philippines. Under Macapagal, settlement was reached on such important base issues as land relinquishments, criminal jurisdiction, and military cooperation. Remaining base-related problems include: entry of nuclear-powered ships and related nuclear issues; entry of US and third-country personnel through the bases; labor disputes; and the applicability of Philippine law on the bases. We believe that such problems are unlikely to hamper effective US use of the bases so

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<sup>3</sup> The memorandum of understanding signed by Ambassador Bohlen and Foreign Minister Sorreno on October 12, 1959, provided for prior consultation concerning operational use of bases for "military combat operations." For a summary of those and related negotiations, see *Foreign Relations, 1958–1960*, vol. XV, pp. 946–957.

long as Marcos is satisfied that the proposed uses do not run counter to Philippine national interest.

26. Marcos supports US policy in Vietnam and has given qualified endorsement to Macapagal's commitment to provide a contingent of about 2,000 Philippine combat engineers to South Vietnam. In general, the Philippine Congress and public also support the US role in Vietnam, and there is widespread approval for the economic and technical assistance which Manila has provided to the Saigon government. However, there is significant opposition to any direct Philippine military participation in the war. There is relatively little feeling that Philippine security interests may be bound up with those of Saigon. There is also a desire to avoid any costly involvement in what appears to be an inconclusive struggle. In the last months of the previous administration, Senate opposition to an appropriation to support the dispatch of the engineer contingent was strong enough to persuade Macapagal not to force the issue. Since the election, congressional opposition may have diminished. Marcos can probably gain congressional approval for the proposed expeditionary force, though he may have some trouble in the Senate. In pressing the Congress for action, Marcos would be motivated more by the need to maintain credit with the US than by any conviction that Philippine troops are needed in Vietnam.

27. The course of the war in Vietnam will also have an impact on US relations with the Philippines. Any conspicuous failure of US policy in handling the Communist threat there would shake the faith of Philippine leaders in US determination to oppose Communist China. US advocacy of a neutralist solution in Laos in 1962 had a depressing effect on Philippine confidence which lasted for some time. On the other hand, the success of US policies in Vietnam would reaffirm Philippine faith in the alliance.

28. Marcos will also be called upon to adopt positions on a variety of bilateral economic issues. While he is not sympathetic to the rabid form of economic nationalism which held sway during the Nacionalista administration of President Garcia (1957–1961), Marcos will almost certainly not attempt to act counter to prevailing Philippine sentiment for reduction of foreign—including US—economic influence. The main areas of commercial tension involve differences over the so-called "parity" issue and over the Retail Trade Nationalization Law.

29. "Parity," as expressed in the Philippine Constitution and reaffirmed in the Laurel–Langley agreement, gives US investors certain rights equal to those of Philippine nationals. In early 1965, a US spokesman stated that the US does not intend to seek renewal beyond 1974 of parity rights for enterprises exploiting natural resources or operating public utilities. Nevertheless, for Philippine nationalists, "Laurel–



Langley" remains a symbol of US economic imperialism and, as frictions arise in its interpretation, Marcos will probably find it expedient to uphold the antiparity position.

30. A more immediate issue between the Philippines and the US arises from the application of the Retail Trade Nationalization Law. This law, originally aimed at Chinese, requires all enterprises engaged in retail trade to be "wholly-owned" by Filipinos and/or US citizens. In recent years, Philippine courts have interpreted "retail trade" as encompassing normal wholesale operations, and "wholly-owned" to mean 100 percent owned by Filipinos or Americans. Few US corporations with publicly held stock can meet this qualification. Some 90 US firms with investments totalling over \$250 million are involved and several cases are pending. In light of his strong belief that increased foreign investment is required, Marcos may offer some temporary administrative relief to permit US firms to adjust their operations. However, he will probably not attempt to negate judicial decisions or Congressional enactments.

31. Another potential source of friction is the recurrent issue of Philippine veterans' claims on the US. In addition, it can be anticipated that further substantial Philippine requests for military assistance will be advanced.

32. Philippine nationalism will continue to grow, further removing the nation from the tutelage of the US. So far, this nationalism has been relatively responsible and has helped to create a somewhat distinctive Philippine foreign policy while maintaining friendship, cooperation, and military and economic links with the US. However, the pace of progress toward full independence has not satisfied all Filipinos. A chauvinistic strain among some elements in government, the press, labor, and students and intellectuals completely rejects American influence and favors economic nationalism and neutralism. In time, as the generation of Filipinos which experienced World War II passes and is replaced by younger men lacking emotional attachments to the US, such sentiments will grow. The majority of present-day Filipinos, however, do not want to discard the security afforded by the traditional association with the US. It is unlikely, therefore, that Philippine nationalism will assume a strident anti-American tone, at least so long as the US continues to consider Philippine sensitivities in bilateral dealings.

33. *Other Countries.* Marcos is personally hostile toward Sukarno and is less likely than Macapagal to seek close relations with Indonesia. Should an anti-Communist leadership emerge in Djakarta, Marcos would probably welcome friendly relations with it, however, it is doubtful that he would seek to revive the Maphilindo grouping—the informal linkage of Malaysia, the Philippines, and Indonesia—which Indonesia would probably dominate.

34. Marcos sees Philippine regional interests as best served by closer ties with Malaysia and Thailand, its likeminded partners in the now dormant Association of Southeast Asia (ASA). He is likely to establish full diplomatic relations with Malaysia soon and with Singapore shortly thereafter. In part, Marcos' rapprochement with Malaysia will be designed to gain Malaysian cooperation in suppressing smuggling operations between Sabah and the southern Philippines. It is unlikely that Marcos will drop the Philippine claim to parts of Sabah, but he will be more reasonable in seeking a settlement. Marcos will probably attempt to revive ASA by means of frequent political, economic, and cultural exchanges. SEATO will continue to receive his support, especially since a Filipino general is presently serving as Secretary-General of the organization.

35. The Philippines under Marcos will continue its policy of refusing to establish political relations with Communist China, the USSR, or other Communist countries. Pressures for change on this issue are unlikely to be great. However, the search for new markets for agricultural products may lead the Philippines to establish economic relations with the USSR and at least some Eastern European states within a year or two. Cordial relations with South Korea, Australia, and New Zealand will continue. Marcos strongly supports Nationalist China and will make efforts to remove minor irritants in relations with that government. Relations with Japan are also likely to improve.

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#### **324. Telegram From the Embassy in the Philippines to the Department of State<sup>1</sup>**

Manila, February 22, 1966, 1124Z.

1761. VP-Marcos meeting.

1. Following is uncleared summary report of meeting.
2. In substantive portion of meeting Vice President was accompanied by Governor Harriman, Ambassador Blair, Ambassador Hand, Mr. Valenti and Messrs. Connell, Thomson, Rielly and DCM Service.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL PHIL-US. Secret; Immediate; Exdis-VP. Repeated to Seoul for Lloyd Hand and passed to the White House. Humphrey and Harriman were in the Philippines to explain the results of the Honolulu Conference on Vietnam.

President Marcos had with him FonSec Ramos and FonUnderSec Colantes. Most of time two military aides, Brig. General Menzi and Captain Palafox, were in attendance and three civilian aides sat in back of room.

3. In summary, 90-minute discussion commenced with expression by VP of warm appreciation courage and initiative shown by President Marcos in presenting Vietnam bill, reiteration of feelings of respect and deep friendship of President Johnson and American people for the Filipino people and description of Honolulu Conference (HC), its objectives and accomplishments. HC described as turning point marking commencement of new historical period in our Vietnam experience. US and its allies adhere to limited objectives Vietnam "halting aggression and giving SVN people opportunity for own choice."

4. In addition to fighting war against aggressor, SVN people and Government and their allies are determining how to rebuild devastated areas in the wake of murder and pillage by VC and North Vietnamese forces. This is the second part of major decisions taken at HC: social and economic development. Meeting of President Johnson with two Vietnamese leaders extremely useful and VP emphasized significance of excellent statement made by Prime Minister Ky and fact that he and his government have themselves drawn up major planning for economic and social progress. VP pointed out that PriMin Ky has seized initiative for his government in leading revolution for betterment of his country.

5. Impressions of discussions in Thailand, Australia and New Zealand were summarized with particular stress on discussions in Thailand. President Marcos mentioned imminent three-day visit of Thai PriMin Thanom Kittikachorn and favorable impressions of SEATO SecGen Jesus Vargas. Marcos and Ramos said they will keep in close touch with Thais and intend to hold first meeting ASA in March.

6. In brief discussion conditions in Laos VP spoke of determination of Souvanna Phouma to continue fighting.

7. After VP noted that Communists in Asia are attacking wherever they can President Marcos said Philippines can feel it here now. He said cadres are being reorganized, intellectuals are quite active and leftists elements are agitating. Expressed his confidence that Communists here will not get very far. He said if they were able to do so they would try to mount an active military effort. Practically all of the members of the Politburo of the Philippine Communist Party had been caught in the early fifties and were nearing completion of 14 or 15-year prison terms and their supporters are preparing for their release. President Marcos noted that two members of Indonesian Embassy here had been quite active and singled out Indon Press Counselor (Rudi Gontha) as having been involved in encouragement of demonstrations

recently. Also noted increased activity Radio Peking Tagalog broadcasts.

8. Excellent performance Koreans SVN described by VP and Governor Harriman who also lauded Australian and New Zealand contingents SVN. Good example of these foreign forces, together with US forces, given credit for improving behavior of South Vietnamese forces which are now actively participating in civic action. With improved SVN morale and military success, defections from Viet Cong and North Vietnamese forces have risen to average of 79 a day this month.

9. In acknowledging that Filipinos may have their problems at this time, President Marcos said that his country will extend all possible aid to SVN.<sup>2</sup> He said he hopes that the partnership of Philippines and US will become more meaningful and said that under attack he will stand firm. Had originally wanted to send combat troops but GVN had asked for engineer battalion. Gov. Harriman noted that President Johnson and American people will always remember courage and wisdom of President Marcos. Marcos said 10,000 or 12,000 volunteers had offered themselves from army in no time at all and he had ordered army to discontinue listing volunteers.

10. President Marcos stated his belief that West could now permit Asian leaders to take more initiative and become more involved in affairs in this part of world. He said that strings on aid present problems and if strings at least are not apparent it is better. He said that newly independent underdeveloped nations are particularly sensitive now regarding manner in which aid is extended to them. He said it is better when Asian problems can be decided by Asians themselves "with your backing." He cited Asian Development Bank as excellent example of this, noting that US had furnished \$200,000,000 to Bank. He said Bank is "very good because it is Asian." He said "let Asians decide and solved their own problems. We want to do it ourselves."

11. Vice President stated that a principle of Honolulu Conference was along these lines. President Marcos said he had studied letter to him from President Johnson<sup>3</sup> and felt this point is most important. Thai

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<sup>2</sup> In a telephone conversation with Humphrey before the Vice President left for his mission, President Johnson discussed with him the Philippines' potential troop contribution to Vietnam. The President said: "the Filipinos promised me 4500. They welched on it a little bit—they're down to 2500 when they talked to you. Now they are trying to get a little bit less. We may have to get some economic things, look at some of our hole cards there, and take another look at them." (Johnson Library, Recordings and Transcripts, Recording of Telephone Conversation between Johnson and Humphrey, February 5, 1966, 10:15 a.m., F66.04, Side B, PNO 2)

<sup>3</sup> Apparent reference to an advance copy of a letter of February 25. (Johnson Library, National Security File, Special Head of State Correspondence, Philippines) For the letter as sent, see Document 326.

FonMin Thanat Khoman agrees with him that ASA should be enlarged. Said Embassy will be established Kuala Lumpur very soon and this may have to be accelerated because of Sukarno's action against Nasution in last few days.

12. VP said that Japan PriMin Sato says privately he wants us to stay in Vietnam but won't say so publicly. Marcos said "I am afraid the Japanese will outsmart themselves." He said that GOP relations with Japanese are getting closer and said only Asians can do what must be done to face up to situation in this part of world. Indons will respond properly when approached in Asian way, Marcos said. Reverting to ASA Marcos said that UnderSecretary Ingles now in Bangkok laying groundwork for ASA meeting in March. FonSec Ramos said that Republic of China should join and Japan, also.

13. President Marcos said Philippines will attend economic conference in Japan. He said that Japanese peace corps commencing work here. Work on trade and navigation treaty proceeding and GOJ has agreed accelerate reparations payments. In addition, GOJ apparently ready to make terms of \$250,000,000 loan less onerous. GOP will send Japanese-speaking Sotero Laurel as new Ambassador to Tokyo.

14. Conference closed with discussion of emphasis which must be placed on rural development in countries in this area. President Marcos voiced his concern, remarking that "Communists make no bones the target is rural areas." He said AID is doing good work here in rural development and he hopes work can continue and expand. Philippines needs help with irrigation problems. VP said it is pity to use precious foreign exchange to import food stuffs and USG will offer full encouragement to best of our ability to solve this problem. President Marcos said he believed it will help if we could cut red tape in both AID and JUSMAG. One of his targets, he said, is to reorganize army construction battalions for rural reconstruction.

15. In final comment regarding aid to Vietnam President Marcos told Vice President Humphrey "decision has been taken and we will hold on to it. We will do it whether we can balance our budget or not. We are paying insurance on our future. We know our friends are behind us. Aid to Vietnam reflects feelings of great majority of our people."<sup>4</sup>

**Blair**

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<sup>4</sup> In telegram 1758 from Manila, February 22, eyes only from Valenti to the President, Valenti informed Johnson that Marcos had made a statement before the press and television that the Philippines was sending an engineer construction battalion to South Vietnam not only to help Vietnam, but because it was in the Philippines' national interest. Valenti described it as a "forthright declaration by a courageous Asian leader." (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 27 VIET S)

**325. Action Memorandum From the Assistant Secretary of State for Far Eastern Affairs (Bundy) to Secretary of State Rusk<sup>1</sup>**

Washington, February 23, 1966.

**SUBJECT**

National Policy Paper for the Philippines

Attached (Tab B)<sup>2</sup> for your approval is Part One (U.S. Policy) of the National Policy Paper on the Philippines. All agencies with a major interest in our relations with the Philippines have cleared this document.

The Paper points out that by almost every criterion for policy development, the Philippines constitutes an area of key interest of the US in Asia. While the Philippines since independence has achieved much, it again faces some very serious problems. In essence, the future depends on whether it can evolve within the next few years enough responsible and dynamic leadership to overcome the stagnation that has beset the country in recent years, and to bring about the economic growth required to keep pace with the population explosion.

Filipinos are, to an extent, coming to doubt the wisdom of our prescriptions for Philippine-American relations. The growth of Philippine nationalism is inevitable. We must ensure that we do not appear to oppose its legitimate expression, while taking steps calculated to keep it positive and constructive.

*Our over-all objective* as spelled out in this Paper is to preserve the Philippines as an independent and democratic nation, friendly to the US and maintaining a foreign and defense policy in general alignment with our own. The *thrust of the strategy* set forth in this Paper is to preserve for the longer range the best possible environment in which to protect and uphold those US interests which really count. Anachronistic positions, or those which in any case we cannot count on maintaining in the future, should be gradually abandoned.

In essence, over the next three to five years, *the courses of action* set forth in the Paper will:

(1) promote motivated and dynamic Filipino leadership, which is dedicated to serve the Philippine national interest and which is convinced of the abiding interest of the US in the survival of a free and democratic Philippines;

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 1 PHIL-US. Secret. Drafted by Kattenburg on February 17 and cleared by Rostow.

<sup>2</sup> Neither Tab is printed.

(2) persevere in helping Philippine efforts to achieve self-sustaining economic growth;

(3) work toward a revised and modernized bilateral trade and investment relationship with the Philippines, in which the element of partnership replaces that of outworn special consideration or advantage for either side;

(4) encourage and assist development of greater Philippine capabilities for external and especially for internal defense; and

(5) seek to make the presence of our military bases more palatable and secure for the longer term.

*Recommendation:*<sup>3</sup>

That you approve this National Policy Paper by signing the attached memorandum (Tab A) which will be incorporated into the Paper as a preface.

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<sup>3</sup> A note on the memorandum indicates that Rusk signed the National Policy Paper on the Philippines on March 3.

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### **326. Telegram From the Department of State to the Embassy in the Philippines<sup>1</sup>**

Washington, February 25, 1966, 5:47 p.m.

1564. Eyes only for the Ambassador. Deliver letter below from the President to President Marcos. Please brief Bill Bundy but handle this matter in great confidence until actual announcement of visit can be made.

“Dear President Marcos: I have just had a full report from Vice President Humphrey about his recent visit with you. I was very glad that he had a chance to give you a full account of the meeting in Honolulu and additional measures which are being taken to assure success of the effort in South Viet-Nam.

I was especially interested in his report of your views of your own situation in the Philippines and on the problems we all face in Southeast Asia and in the Pacific. I was impressed by what you said about the

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL PHIL-US. Confidential; Nodis. Drafted by Rusk and cleared by McGeorge Bundy.

need for Asian leaders themselves to take a greater degree of leadership in such matters and I want you to know that you would have our fullest support in the suggestions you have made in that direction. With a strong mandate from your own people and with an assured period of leadership ahead of you, you are in an excellent position to play an active role in building greater solidarity among the free nations of Asia and the Pacific.

Your stirring recent address on Viet-Nam and your private remarks to the Vice President have been a source of great encouragement and inspiration to us here. Your decision to place some of your own fine units alongside your allies in South Viet-Nam is a courageous one and will guarantee the solidarity between our two countries which is so important to the peace and prosperity of the Philippines as well as to the stability of the entire area.

I know that your schedule is heavily burdened as you assume your great responsibilities but I want you to know that I would personally warmly welcome you if you could find a time to visit Washington. I would try to adjust my schedule to meet yours and I would understand if you wished to get certain matters behind you before you come. Perhaps you and Ambassador Blair could be in touch with each other on a most private basis about possible dates, if the idea appeals to you. I do think it important that the matter remain private until we can make a joint announcement about your visit.

May I, in closing, express my respect for the way in which you have taken hold of the reins of government and for the policies which you have so responsibly and clearly set forth to guide your great country."

**Rusk**



**327. Memorandum From the Central Intelligence Agency to the 303 Committee<sup>1</sup>**

Washington, March 2, 1966.

## SUBJECT

*[less than 1 line of source text not declassified]*1. *[less than 1 line of source text not declassified]**[9½ lines of source text not declassified]*

The proposal also involves a direct frontal attack against the deteriorating political situation and internal security problems facing the Philippines, making possible a viable movement channeling legitimate Filipino nationalism along Christian-Democratic lines. General reform must find its beginnings and impetus in the broad bases of a society. Among the more evident bases in the Philippines are the peasant and the Church: the peasant because he is the mass and the ultimate focal point of meaningful reform; the Church because it is uniquely equipped to act as a catalyst between the government, vested interests, and the Filipino peasant, who is in a sense the land.

The land tenure system in the Philippines is a basic cause of rural poverty, a major obstacle to agricultural development and a main source of agrarian unrest which, though traditional, is the root of the internal security situation in the Philippines today. In order to focus attention on the land reform problem, educating the peasant to his rights and responsibilities, demonstrating enlightened need for reform to politicians and vested interests and influencing the government to implement reform aggressively, a fairly dramatic action is called for. *[2½ lines of source text not declassified]*

*[2 paragraphs (11 lines of source text) not declassified]*2. *Problem*

There have been more than adequate attempts made in the Philippines towards legislating land reform. During the Commonwealth period the United States moved energetically and with imagination into land reform and land distribution, including the purchase and redistribution of "friar" lands representing large holdings by the Church. Since independence, various presidents and governments have recognized the need for reform, notably under Magsaysay, to some extent Garcia, and most recently Macapagal. The problem in the Philippines is not

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<sup>1</sup> Source: National Security Council, Special Group/303 Committee Files, Subject Files, Philippines. Secret; Eyes Only.

to begin anew, but to improve on progress already made, to moderate the influence of forces traditionally opposed to reform and finally to create a demand on the government for reform from the end-user, the peasant, by "popularizing" his rights under existing legislation.

The Agricultural Land Reform Code, promulgated on 8 August 1963, has the stated purpose of redefining the relationship of the cultivator to the land. Essentially an adequate law, it unfortunately has built-in complexities, in deference to political and economic self-interest groups, which prevent aggressive implementation. The Armed Forces of the Philippines are heavily engaged in national civic action work having ultimate effect on land reform in general. In addition, the Presidential Assistant for Community Development and the private Philippines Rural Reconstruction Movement have recently agreed to coordinate overall civic action/reform programs, rather than continue the competition of the past. A central point in the reform problem, besides inherent opposition and endemic inertia, has been to approach it by governmental decree rather than from a popular base. [*less than 1 line of source text not declassified*] should provide the impetus necessary to get underway constructive land reform and with it the beginnings of general reform. Without some such action, the dilatory approach to reform in the Philippines can be expected to continue.

[*3 headings and 8 paragraphs (39 lines of source text) not declassified*]<sup>2</sup>

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<sup>2</sup> A note on the memorandum indicates that this proposal was "approved telephonically by the 303 Committee principals on 11 April 1966."

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### 328. Telegram From the Department of State to the Embassy in the Philippines<sup>1</sup>

Washington, April 9, 1966, 5:01 p.m.

1872. Joint State/Defense message.

1. In order reassure Marcos we are actively moving ahead to meet our commitment on equipping and financing the Phil Engineer Task Force, and that we are responsive to other urgent military requirements

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 27 VIET S. Secret. Drafted by Flanegin; cleared by Kattenburg, William C. Hamilton of DOD/ISA, and Moore; and approved by Bundy. Repeated to JCS, CINCPAC, Saigon, COMUSMACV, CHJUSMAGPHIL, CINCPACREPPHIL.

he has raised, you may now convey the following to him in the nature of a Status Report:

2. We wish to reaffirm our commitment (FYI as defined in prior cables end FYI) to equip and support the Philippine Engineer Battalion and security troops for Vietnam. We will be ready to move on these items promptly to mesh with troop arrivals in Vietnam.

3. We are actively engaged in calculating how best we can shape our response to the President's needs in field of military and military-related equipment. Assuming dispatch of Phil Task Force to VN, we will be able to provide up to four additional swiftcraft, M-14 rifles and machine guns for one constabulary BCT, and equipment to start bringing three engineer battalions to full strength.

4. U.S. Defense Department conducting itemized review of these items and of funding and delivery arrangements. These examinations take time, and Marcos should understand that, particularly in view of VN requirements, ultimate deliveries will of necessity be staggered and some probably delayed.

5. If, as seems probable, Marcos raises question of equipping further engineer battalions, you may tell him that we wish to be forthcoming regarding his civic action project, which we favor in principle, but indicate that our present thinking is along lines para 4(c) in immediately previous telegram.<sup>2</sup>

**Rusk**

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<sup>2</sup> Paragraph 4 (c) of telegram 1871, April 9, reads: "With respect to equipping further engineering battalions, we wish to be forthcoming regarding a project which we favor in principle. But (1) we do not now concur in agreeing to replace Japanese equipment of additional Phase I bns; (2) if Marcos civic action plan effectively implemented, further U.S. investment should take place within normal MAP totals and as result of normal MAP planning and programming procedures; and (3) we would want first to join in conducting a coordinated appraisal of the current mission and structure." (Ibid.)

**329. Memorandum From James C. Thomson, Jr., of the National Security Council Staff to the President's Special Assistant (Rostow)<sup>1</sup>**

Washington, May 4, 1966.

SUBJECT

A Marcos Visit: The Plot Thickens

You should know (and at some point the President should know) that the problem of a Marcos visit is becoming more complex. In this regard, next week will be preliminary Philippines Week: we will have in town both Ambassador Blair (who hopes to see the President—see the attached memorandum from State)<sup>2</sup> and Marcos' brother-in-law and confidential aide, Benjamin Romualdez.

The dimensions of the Marcos visit's new complexity are revealed in Blair's two lengthy conversations with Marcos, reported in Manila's 2323 and especially Manila's 2326 and 2327.<sup>3</sup> These cables are long and somewhat depressing. To the cynic they reveal that Marcos is acting more and more like a Philippine President than the tough and far-sighted New Dealer/pragmatist that he appeared to be earlier this year.

In brief, Marcos does not want to come to Washington unless he can return with some highly tangible goodies. He fears the juxtaposition of Philippine troops to Vietnam with a Washington visit, as this might tag him with the label of "American errand boy". In order to avoid such a label, he wants to extract from his Washington visit U.S. responsiveness on a number of new and old items: specifically, Philippine omnibus claims (a matter which we officially decreed a closed book under the Eisenhower Administration), base negotiations, veterans benefits (on which a joint U.S./Filipino Commission will be negotiating in the next few months), U.S. procurement for Vietnam, a stabilization fund, aid for the construction of a thermal power plant, more school houses, and a long new list of military equipment. This is not quite an all-or-nothing proposition, although obviously the Fils want as much as they can get.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. II, 6/64-6/66 [1 of 2]. Secret.

<sup>2</sup> Not attached; a copy of the May 3 memorandum is in the National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL.

<sup>3</sup> Telegram 2323 is dated April 29; telegrams 2326 and 2327 are both dated May 3. (Ibid., DEF 9 PHIL and POL 15-1 PHIL)

The upshot of the above is that an early and simple Marcos visit is probably out of the question. Despite the fact that his early appearance here might do us some political good on Vietnam, etc., it would *not* do him good, in his view, unless he comes back with his hands very full.

Blair and Romualdez will both be carrying this message to State and the White House next week. This should give us a chance to weigh more precisely our needs versus Fil needs regarding a Marcos visit. As you know, State has previously urged that Marcos' visit be put off until much later in the year; the new evidence of Fil thinking on the subject should strengthen State's convictions.

I attach a possible memorandum for the President about State's request for an appointment for Bill Blair.<sup>4</sup>

Jim

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<sup>4</sup> Not found, but in a May 5 memorandum to the President, Rostow suggested that it would be "useful" for the President to meet Blair who was "fresh from two long talks with President Marcos and has a clear view of the potential problems surrounding a Marcos visit. At the moment, Marcos is worried about coming here too soon after final passage of the Philippine Vietnam Aid Bill; he is also beginning to attach to the visit some large-scale economic and military requests which will require some sorting and negotiation prior to his arrival." The President approved the meeting with Blair. (Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. VII, 4/2/66–5/26/66)

**330. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, May 11, 1966, 7:20 p.m.

**SUBJECT**

Appointment With Ambassador William McC. Blair, Jr.

You have agreed to receive Ambassador Blair, Chief of Mission at Manila, at 11:30 a.m. tomorrow, May 12.

This additional information concerns the two matters that he may wish to raise with you: the timing of President Marcos' State Visit; and the status of Philippine Senate action on the Vietnam Aid Bill.

*State Visit*

Marcos has informed Blair that he feels there should be fairly clear "areas of agreement" between the two Governments before he undertakes the State Visit. He is also worried that too early a visit following Philippine legislative approval of the Vietnam Aid Bill might cause him trouble at home. He is inclined toward an end of August date, which would also enable him to accept an invitation to address the American Legion convention. But he wishes Blair to test the atmosphere here on whether tangible results might be possible by then on the economic and military aid requests that he is attaching to the visit.

State considers it important to our future economic relations that his State Visit result in meaningful exchange of views and hopefully some measure of agreement on such major issues as post-1974 US investment in the Philippines, impact of the Retail Trade Nationalization Law, and US aid in Philippine economic development. However, we will not be prepared to reach these "areas of agreement" until much later this year after more extensive economic dialogue. State, accordingly, would prefer the visit in late October or November.<sup>2</sup>

*Aid to Vietnam Bill*

State believes final Philippine Senate action is now anticipated at the end of this week, with perhaps no more than five negative votes. One possible ramification is a proviso that Marcos consult with Congress before sending troops. We are assured, however, that this is only a gesture designed to satisfy the sensitivities of Senators who might otherwise find it difficult to vote for the bill.

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 2, May 1-15, 1966. Confidential.

<sup>2</sup> As recommended in a memorandum from Rusk to the President, May 10. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL)

President Marcos' brother-in-law, whom I saw, believes it will be much closer, but will pass.

*Ambassador Blair's Future Assignment*

Secretary Rusk at one time suggested that Ambassador Blair be considered for one of the positions in the Department now vacant. However, no further consideration is being given to this suggestion because:

1. Ambassador Blair will not have completed the normal tour of two years until next December.
2. Ambassador Blair has let it be known that he prefers to remain in the field and that, after his completion of his tour in the Philippines, he would like to have another Ambassadorial assignment in preference to a Washington post.

**Walt**

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**331. Memorandum of Conversation<sup>1</sup>**

Washington, May 12, 1966.

**SUBJECT**

Philippine-US Relations

**PARTICIPANTS**

The President  
William McC. Blair, Jr., Ambassador to the Philippines  
William P. Bundy, Assistant Secretary of State for Far Eastern Affairs  
Walt W. Rostow, Special Assistant to the President  
William J. Jordan, National Security Council Staff

Participants in this meeting with the President have indicated that the following major topics were discussed, and the following decisions reached:

*1. Review of Situation*

Ambassador Blair reviewed the situation in the Philippines, some of President Marcos' problems and his progress, and requests

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL PHIL-US. Secret. Drafted by Kattenburg (who did not attend) on May 23 and cleared by the White House on May 19.

made for our help. The assessment was cautiously optimistic. The President indicated his sympathy for the Philippines and for President Marcos.

2. *US Panel, Joint Philippine-US Commission on Philippine Veterans Benefits*

The President approved an immediate press announcement on the formation and composition of the US panel and said he had been in touch with Senator Long who had agreed to serve.

3. *Marcos State Visit*

The President expressed his hope that Marcos could come over soonest. He was ready to receive him "today, tomorrow, or next day." The President stated he was impressed with what he had heard of Marcos. The President expressed a deep personal interest in the Philippines and noted the special interest most Americans have in that country based on history and our special role there in the past. Ambassador Blair and Mr. Bundy pointed out and explained some of the problems involved in a state visit, particularly an early one, and described Marcos' need for "areas of agreement" in terms of what the US could help him achieve on a visit here.

The President expressed understanding and authorized Ambassador Blair to work out dates which would allow both for the finding of reasonable "areas of agreement" and as prompt a state visit as possible.<sup>2</sup>

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<sup>2</sup> Blair and Kattenburg met with Benjamin Romualdez on May 13; a record of that meeting is in telegram 2122 to Manila, May 14. (Ibid., POL 7 PHIL.) Blair also met with Assistant Secretary of Defense McNaughton and Deputy Assistant Secretary of Defense Adam Yarmolinsky on May 12. A record of those two separate meetings is in a combined memorandum of conversation, May 12, I-23466/66; Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 6648, Philippines 000.1—333.



**332. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, June 27, 1966, 5:30 p.m.

**SUBJECT**

Letter to President Marcos Regarding Veterans Benefits

President Marcos of the Philippines has sent you an unexpected letter regarding the old and complex issue of Philippine World War II claims.<sup>2</sup> His letter comes as the U.S. Panel (chaired by General Decker) prepares to depart for the Manila talks of the Joint Commission on *Veterans Benefits*—now scheduled for July 4–8.

In essence, Marcos' letter seeks to re-open the long-closed issue of the so-called "Omnibus Claims"—assorted claims by the Fil Government against the U.S. Government dating back to World War II and the pre-war period. As you are aware, four of these 19 claims were settled by U.S. Congressional action between 1959 and 1963, including \$73 million in additional war damage compensation. The remaining Omnibus Claims (which may amount to as much as \$900 million) were carefully examined and formally rejected by the U.S. Government in 1959, at which time the Fil Government was told that we regarded this issue as closed once and for all. Both Macapagal and Marcos, however, have been under periodic domestic pressure to re-open the issue.

State proposes—and Mr. Rusk concurs from Canberra—that your reply to Marcos be courteous but firm on two counts: a) we are always willing to listen to the Fils on any bilateral grievances, including the Omnibus Claims; but b) the present U.S. Panel on Veterans Benefits, established on the basis of your October 1964 Communiqué with Macapagal, is simply not empowered to *make recommendations* on such issues as the Omnibus Claims.

I recommend that you approve State's draft.<sup>3</sup> We want to keep the atmosphere favorable for a Marcos visit in August, and Rusk may be discussing the visit when he sees Marcos July 3rd; but we can't settle this kind of issue between now and August—and should not raise

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. VIII, 5/26/66–6/29/66. Confidential.

<sup>2</sup> Dated June 23. (Ibid., Special Head of State Correspondence, Philippines, Vol. I)

<sup>3</sup> Attached but not printed. The letter was sent to Manila in telegram 2483, June 28. (Ibid.)

false expectations. (The entire U.S. Panel, including its Congressional members, has been fully briefed on this matter.)

W. W. Rostow<sup>4</sup>

Approved<sup>5</sup>

Disapproved

See Me

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<sup>4</sup> Printed from a copy that bears this typed signature.

<sup>5</sup> This option is checked. A handwritten note indicates that the approved "message LDXed to S/S, 6/28/66."

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**333. Memorandum From James C. Thomson, Jr., of the National Security Council Staff to the President's Special Assistant (Rostow)<sup>1</sup>**

Washington, August 1, 1966.

**SUBJECT**

Your Meeting at 4:30 Today With Philippine Finance Minister

Finance Minister Eduardo Romualdez is here to push for *more money*, in one form or another, as icing for the Marcos State Visit. His appearance coincides with that of at least two other Filipinos in pursuit of the same thing: *Ben* Romualdez (Marcos' brother-in-law and probable ambassador to the US) who has just arrived to do some high level pushing, and Mapa-&-Melchor, who are key financial advisors.

*The fundamental problem is one of Fil expectations:* Marcos has been led to believe, both by visiting Americans and by his own people, that a) his dynamic potential as a leader and b) his success on aid to Vietnam<sup>2</sup> will assure him a very big pay-off when he comes to Washington. (The

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. III, Memos, 7/66-7/67 [2 of 2]. Confidential.

<sup>2</sup> Marcos signed the Aid to Vietnam bill on July 14.

figures we have heard tend toward \$100 million in economic aid in the coming year, and \$500 million over five years.)<sup>3</sup>

Fact of the matter is that Marcos does have promise, and that he did belatedly deliver on Vietnam aid (and at considerable political cost)—but also that *the Fil economy is in dreadful condition and Fil performance has been terrible.*

*Our line, therefore:* We are deeply appreciative, want to be helpful, and can make progress on quite a few items in conjunction with the State Visit; but it would be foolhardy, for both countries, if we were to leap into high-priced specific aid commitments until a lot more joint planning has been done to provide for effective use of that aid.

In his conversation with Rusk this afternoon, the Finance Minister emphasized *land reform and rural development assistance*, possibly through PL 480, and this may be his pitch with you.

FYI: On the basis of Barnett's negotiations with Mapa, I would guess that the best we can do in the economic aid field at the moment will be some aid in the field of *irrigation rehabilitation* (totalling about \$8 million). The *Marcos Visit package* will be fattened, however, with some real gains on Veterans Benefits, Special Fund for Education, Bohlen-Serrano agreement (on base tenure), and DOD/MAP support of Fil defense capabilities. So Marcos will come away looking good—though not as good as he would like to look.

I attach a copy of the agreed memorandum which resulted from the Barnett-Mapa talks.<sup>4</sup>

Jim

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<sup>3</sup> After his meeting with Marcos following the SEATO and ANZUS meetings, Rusk sent the President the following assessment: "Although Marcos was very friendly and obviously has highest esteem for you, I have no doubt he will make an effort to parlay his visit and the troops for Vietnam into pretty tangible returns. On other matters such as MAP, economic aid or even war claims, he will be sending a mission to Washington shortly to discuss such questions and we might wish to defer the firming up of a date for his visit until it is quite clear that he will not arrange to change his plans as a result of some inevitable disappointment in the levels of our generosity." (Telegram Secto 108 from Kyoto, July 6; National Archives and Records Administration, RG 59, Central Files 1964-66, POL PHIL-US)

<sup>4</sup> Not attached; an undated summary is in the Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 11, 8/12/65-8/31/65.

**334. Memorandum From Donald W. Ropa of the National Security Council Staff to the President's Special Assistant (Rostow)<sup>1</sup>**

Washington, August 11, 1966.

SUBJECT

State Visit—President Marcos

*Setting*

Marcos' state visit continues an established ritual for a Philippine president during his term of office. Its two major elements:

1. Ceremonial *reaffirmation of friendship ties* developed during the colonial period and second world war.
2. *Confirmation of a "special relationship" with the U.S.*

In return for their loyal support, *Phils expect special consideration* for their material needs. Every Philippine president feels he must bring home tangible evidence of the benefits of our association.

*Special factors in this visit*

1. We pressured Marcos to commit *Filipino troops to Vietnam*. He put his prestige on the line, expended much personal political capital, and at the expense of important domestic legislation pushed the bill through Congress. The troops probably will reach Vietnam while Marcos is here. *Marcos' performance accentuates his expectations* for our assistance on measures he has given high priority.

2. *The visit will set the tone for our future dealings with Marcos* and can be a launching mechanism for a new and more fruitful relationship between our countries. Marcos is a genuine war hero (with a beautiful wife), forceful, energetic and ambitious to develop his nation. His materials at hand are generally unsatisfactory, progress in nation building has been sporadic, and the economy is floundering. However, priorities set by Marcos make sense. The familiar litany of past failure should not deter us from giving Marcos the tools he needs. *He may well be the last Philippine president to offer us all-out collaboration.*

*Philippine Objectives*

1. Marcos wants to come as the representative of an Asian nation enjoying a successful and *dignified* relationship with us. He is sensitive

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Marcos Visit Papers, Memos, 9/14-16/66. Secret. Bromley Smith wrote the following note on the memorandum: "Mr. Rostow. For 3 p.m. meeting today, BKS." For a summary of this meeting, see Document 335.

to charges the Philippines is a mendicant, will want to eliminate any justification for them.

2. Specifically, he wants to *avoid any implication* that new U.S. assistance he may receive is a *payoff* for committing Phil troops to Vietnam.

3. *He looks primarily to expanded bilateral assistance* to finance his development plans rather than to IBRD, IMF, ADB—multilateral institutions which unfamiliar to him.

4. *He seeks firm commitments* (promises or assurances) of our extensive financial support during his tenure for irrigation, roads, power, rural electrification, land reform.

5. He will likely agree that the availability of *new U.S. aid be conditioned on certain actions on the part of his government*, e.g. increased revenue, management reform, etc., but he will want to say on return that he has received specific new aid commitments provided Phils do their part.

6. *More immediately, Marcos wants defense support assistance* to contain the resurgence of Huk-inspired violence in Central Luzon. Specifically: our support of seven more engineer battalions with civic action capability and the equipping of three now formed. *Other short-term requirements:* a program loan package to begin rehabilitating irrigation work and underwrite land banks and agriculture credit; quick resolution of veterans benefits and claims; PL-480 rice, cotton and corn; a civil air agreement; formalization of the 1959 Bohlen-Serrano agreement on base tenure; movement toward revising the Laurel/Langley Treaty of Friendship, Commerce and Navigation after its 1974 expiration.

7. Marcos will want to give a spirited reaffirmation of free world solidarity and militant anti-Communism.

#### *Our Objectives*

1. *To gain maximum domestic and international benefit from Philippine commitment, as a free Asian nation, to the effort in Vietnam and broader U.S. policy objectives in Asia.* (Advance information is Marcos' address to the joint session of Congress will be panegyric in supporting President Johnson and our Asian policies.)

2. To come up with an aid package that meets Marcos' minimum desiderata as opposed to the maximum requests he has made.

3. To lay the groundwork for rationalizing Philippine development plans geared to multinational support.

4. To limit new bilateral assistance to essential areas consistent with longer term stress on multilateral aid.

5. To be forthcoming in giving Marcos what he needs to put down resurgent Huk activity.

#### *Groundwork and Preparations*

We have talked here over the past several weeks with a Philippine technical aid mission and the Phil reps on a joint panel to resolve veterans benefits and claims. *Informal understanding with the technical aid mission has gone far toward gaining Phil acceptance of the necessity for multilateral aid and placing Marcos' requests for large-scale aid within a context of further consultation (a copy of the understanding is attached).*<sup>2</sup>

The joint veterans panel has *harmoniously resolved the benefits issues*, but two legitimate claims were developed that still require resolution.

*We have yet to complete action on most items in the minimum aid package—support for the 10 engineer battalions, PL-480, the program loan package, civil air agreement, plus Bohlen/Serrano and Laurel/Langley. Prods to Defense, AID and Agriculture are probably required.*

#### *Scheduling*

Major events fixed, in addition to ceremonies and events for usual two and half days Washington activities, are:

1. Address to joint session of Congress September 15.
2. National Press Club address September 16.
3. Meet the Press interview September 18.
4. University of Michigan honorary degree September 19.
5. UNGA address September 21.

I understand the Vice President is considering the possibility of other public appearances for Marcos, specifically relating to Vietnam, prior to his September 24 departure.

#### *Communiqué*

Draft joint communiqué language has been requested from Embassy Manila based on a summary of all substantive aspects of the visit which has gone to Ambassador Blair (copy attached).<sup>3</sup>

**Don Ropa**

<sup>2</sup> Not attached, but see footnote 3, Document 335.

<sup>3</sup> Telegram 26023 to Manila, August 11. (National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL)

**335. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, August 12, 1966.

We have been dealing here for the past two weeks with a Filipino technical aid mission as part of advance preparations for the Marcos visit. It came with inflated expectations of new U.S. bilateral aid for the new Philippine development plan and implied that a worthwhile Marcos State Visit hinged on fulfillment of their expectations.

I wanted you to know that these talks concluded satisfactorily, paving the way for a successful State Visit. Our people managed to:<sup>2</sup>

1. Deflect advance commitment of sizable new bilateral economic aid pending further close study, while agreeing to be forthcoming on assistance in important areas of defense support.

2. Gain Phil recognition that self-help is necessary if their economy is to realize its considerable potential.

3. Persuade the Phils that the external financing they require can better be met through multilateral sources.

4. Agree with the urgency of coping with resurgent Huk violence in Central Luzon through economic development of infected areas.

I attach a summary of the Informal Memorandum of agreement reached by both sides. The Memorandum and a more detailed expression of our positions on the matters covered therein are available in my office.<sup>3</sup> I will send them along if they interest you.

**Walt**

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Marcos Visit Papers, Memos 9/14–16/66. Confidential.

<sup>2</sup> Rostow's information is based on a memorandum from Read to him, August 10. (National Archives and Records Administration, RG 59, Central Files 1964–66, POL 7 PHIL)

<sup>3</sup> The summary, the memorandum, and an annex to the summary giving more details were attached to Read's August 10 memorandum.

**336. Memorandum From the Officer in Charge of Philippine Affairs (Kattenburg) to the Assistant Secretary of State for Far Eastern Affairs (Bundy)<sup>1</sup>**

Washington, August 15, 1966.

SUBJECT

White House Interest in the Success of the Marcos State Visit

FYI: The following is the gist of views expressed by Walt Rostow at a White House meeting on August 11. Mr. Jorden and his staff have told me that it may be interpreted as constituting an emphatic statement of White House interest in the full success of the Marcos state visit. End FYI.

1. Unique ties and a special relationship continue to bind us to the Republic of the Philippines. At the same time, Marcos and the Filipinos desire to emerge as more than a US favorite, and we too wish to see them as an Asian power in their own right. Marcos has laid his prestige on the line to secure passage of the Philippine aid-to-Viet-Nam bill in a record period of six months, and has done so at some political cost. Two thousand Philippine troops will begin arriving in Viet-Nam in September.

2. We have the beginnings of a very important administration in the Philippines. The character of the relations we are able to establish with Marcos during his visit will set the tone of our partnership for a long time, and during a critical period, both for us and for the Philippines, in that part of the world.

3. Marcos is a genuine war hero, a very attractive personality, and a great public speaker. We have in his visit a large amount of capital, centering around the image he can project about Viet-Nam and, as President Johnson has said, about "the vitality of the new Asia."

4. Marcos has major problems, including the recent revival of Communist armed activity in Central Luzon, and he needs our help. He is not, and does not want to appear, a mendicant. We want to help him, and we want to develop an assistance package which, while meeting his needs, remains consistent with our desire to emphasize multilateralism in aid to the developing nations and with the new aid techniques we are developing worldwide.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL PHIL-US. Confidential. Kattenburg sent Bundy another memorandum on August 15, entitled "Detailed Status Report on Marcos State Visit, August 15." (Ibid.)



5. At the head of the list of specific actions we are working on for the visit are: (a) the provision of equipment for five additional Engineer Construction Battalions, bringing the total for delivery to 10;<sup>2</sup> (b) settlement of two of the Philippine war claims issues;<sup>3</sup> (c) economic assistance activities. The latter bear mainly, at the moment, on our agreeing to finance via project or program loans, or a combination of the two, three major projects in the agricultural field, and our willingness to begin negotiations after the visit on a new PL-480 agreement which may have to include some rice.

*Recommendation<sup>4</sup>*

I recommend:

(a) that you inform the members at the next IRG meeting of the substance of the above as representing your understanding of White House views on the visit, and of our immediate objectives as set forth in paragraph 5.

(b) Alternatively, you may wish to recommend that the Secretary transmit these views and objectives to the members of the SIG at their next meeting, which I understand may take place August 23. If you prefer the second alternative, I will prepare a staff study for the Secretary.

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<sup>2</sup> In a letter to McNamara, August 11, Ball stated: "There is nothing more important to Marcos in connection with his State Visit to Washington September 14–16 than these additional battalions." (Ibid.)

<sup>3</sup> See Document 338.

<sup>4</sup> There is no indication on the memorandum of Bundy's approval or disapproval.

**337. Memorandum From the Assistant Secretary of State for Far Eastern Affairs (Bundy) to William J. Jorden of the National Security Council Staff<sup>1</sup>**

Washington, August 22, 1966.

**SUBJECT**

Possible Use of Philippine Bases for B-52 Operations

You have asked for an assessment of political factors affecting this possibility,<sup>2</sup> and I am providing this preliminary view.

1. From the legal standpoint, the 1959 Bohlen-Serrano Memorandum of Understanding, which we expect to make legally binding in the form of the Rusk-Ramos Agreement to be signed during the Marcos visit, obligates us to consult with the Philippine Government before we use U.S. bases for "combat launch" operations, unless these are directly related to the defense of the Philippines under our bilateral Treaty, or to our engagements under SEATO. While it could be argued that B-52 operations in South Viet-Nam fell under the latter heading, we have in fact consulted with Marcos, and Macapagal before him, on any operational base problem whatever, including even the overflight of the Philippines by B-52's. Obviously, regardless of the precise legal obligation, we could not in this instance conduct the proposed operations, or even prepare visibly for them, without prior agreement with Marcos.

2. We are inclined to believe that Marcos personally would be favorable to conducting the proposed operations from the Philippines. However, there is no doubt that he would consider that he was taking a step involving possibly great political costs at home, and that he would require a very substantial quid pro quo in the form of additional assistance of some type. Almost certainly, he would feel that he had to obtain a formal resolution of approval by the Philippine Congress, particularly in the light of various public statements he has made that he would take no further steps in regard to Viet-Nam without thorough consultation with the Congress.

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<sup>1</sup> Source: Department of State, Bundy Files: Lot 85 D 240, Philippines, eyes only. Top Secret. Drafted by Bundy and cleared by G/PM. This memorandum was originally drafted by Kattenburg and then was revised by Bundy. Kattenburg's draft is *ibid*.

<sup>2</sup> In an undated memorandum, Jorden informed Bundy that the President asked for an informal study of the feasibility of shifting B-52 operations against targets in Vietnam from Guam to the Philippines since the President was "struck by the obvious geographic and logistic advantages." Jorden asked Bundy to provide a political appraisal of the idea. (*ibid*.)

3. Marcos' experience with the Viet-Nam aid bill does not lead to an optimistic forecast of how the Philippine Congress would react. In all probability, the same vocal elements, particularly in the Philippine Senate, would oppose the direct use of Philippine bases, stressing the argument that this would expose the Philippines to the possibility of swift and direct retaliation, and even questioning the validity of the U.S. commitment in the event of such retaliation. If the issue were introduced at the present moment, it would be our judgment that Marcos would have a long and bloody fight on his hands, and that he would sacrifice the possibility of successful action on at least some vitally needed domestic measures.

4. However, this rather gloomy prognosis would easily change markedly in the next month or two. If the Marcos visit is a success, and if the arrival of the Philippine contingent in September leads to favorable publicity and, above all, a sense of engagement in Viet-Nam by the Philippine people—which had really been lacking hitherto—the atmosphere could be quite different by early October. There is the further possibility, although it cannot by any means be counted upon, that we may by then be squared away on a much more realistic economic program that would furnish a reasonable vehicle for a quid pro quo that would really be constructive in terms of Philippine needs.

5. For all these reasons, it would be our *firm* judgment that the matter should not be raised with Marcos prior to his visit, and that at most it should be reserved for possible direct mention by the President when he is absolutely alone with Marcos at a relaxed moment during the visit, and when the basic terms of the assistance we will undertake during the visit have been already worked out. *More tentatively*, we would be hopeful that with proper timing we could eventually get an affirmative answer with a not too exorbitant price; in some ways, the problem is like that of getting the second Korean force contribution—which could not have been done last October or November, but turned out to be possible in January.

The above summarizes our present political judgment. We believe that an examination of alternatives throughout the Far East should be urgently pursued in any case, including comparative military and political assessments of the feasibility of Okinawa and Thailand as possible alternatives to the Philippines.

One further operational point. We understand the Air Force here has a preference for the Mactan base, and it should be noted that this base is now a joint-use base that is in effect controlled by the Philippine Air Force. Moreover, the runway would require substantial lengthening. Nonetheless, in our political judgment Mactan's relatively isolated location near Cebu makes it a much better candidate than Clark, which

is, of course, fully U.S. but also virtually saturated by various other supporting operations, and located in a much more visible, populated, and politically sensitive area. Any third choice, while conceivable, would involve construction virtually from scratch.

William P. Bundy<sup>3</sup>

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<sup>3</sup> Printed from a copy that bears this typed signature.

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**338. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, September 1, 1966, 9 a.m.

SUBJECT

Filipino Veterans Claims and Benefits

The Joint United States-Philippine Veterans Commission to evaluate problems of Filipino veterans benefits and claims has completed its findings and given its recommendations. The benefits and claims issue has been a long-standing irritant in our relations with the Philippines.

The U.S. Panel of the Joint Commission recommended (Tab 3)<sup>2</sup> that we broaden and extend certain *benefits* for Filipino veterans. Congressman Teague has introduced appropriate legislation, which if enacted would cost about \$17 million per year (total cost: approximately \$425 million over the next 30-plus years until death of the last Filipino veteran).

The Filipino Panel also raised the separate question of World War II claims. Our Panel found merit in two of the seven Filipino claims and referred these to Defense to determine both our moral obligation and the feasibility of payment.

Deputy Secretary Vance recommends in the accompanying memorandum (Tab 2)<sup>3</sup> that these two claims be paid. They concern pay and

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Report of Joint Philippines-U.S. Committee, Veterans. Secret.

<sup>2</sup> Not printed; Tab 3 is a letter from the Chairman of the Commission, General George H. Decker, USA (ret.) to President Johnson, August 22.

<sup>3</sup> Not found.

allowances for approximately 100,000 recognized Filipino guerrillas and the refunding of erroneous deductions from back pay. It is estimated these would cost no more than approximately \$42 million. Vance says funds are available without new legislation. Vance further recommends that the terms of settlement be embodied in an Executive Agreement.

In his memorandum (Tab 1),<sup>4</sup> Secretary Rusk agrees the two claims have a substantial equitable basis and notes that settlement at this time would go far toward removing a long-standing irritant.

He recommends we advise Marcos prior to his arrival that we are sympathetically considering settlement of the two claims, that in return Marcos should agree to drop the other five as not warranting further consideration, and that settlement details on the two claims should be worked out jointly following the State Visit. We are considering an offset arrangement to deal with the settlement's impact on our balance of payments.

There are indications, not confirmed, that Marcos may find it hard to drop the other five claims. He may seek instead an overall General Release agreement for all seven. If this develops, we will prepare a recommended course of action for your consideration.

General Decker, Chairman of the U.S. Panel, considers the task you gave him as completed and asks your instructions concerning the discharge of the U.S. Panel. Since Rusk and Vance believe settlement details on the two claims can be worked out jointly following the State Visit, it appears that the work of the U.S. Panel is completed.

I recommend:<sup>5</sup>

That you approve payment of the two claims.

That Ambassador Blair inform Marcos we are sympathetically considering settlement of the two claims, that in return Marcos should drop the other five claims, and that details on the two should be worked out jointly after the State Visit.

That the recommendations of the U.S. Panel and terms of settlement of the two claims be embodied in an Executive Agreement.

That the U.S. Panel be discharged from its responsibility.

**Walt**

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<sup>4</sup> Dated August 29. (Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 12, 9/1/66–9/14/66)

<sup>5</sup> The President approved the four recommendations. He revised the second recommendation to read: "That Ambassador Blair inform Marcos we are considering settlement of the two claims, that in return Marcos must drop the other five claims, and that details on the two may be able to be worked out jointly after the State Visit."

**339. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, September 9, 1966.

**SUBJECT**

U.S. Assistance to the Philippines (Marcos Visit)

The attached memorandum from Acting Secretary George Ball<sup>2</sup> submits two propositions for your approval:

(1) That we give Marcos a firm commitment to supply equipment for 10 engineer construction battalions in the Philippine Army. They would be used on rural projects, mainly road-building.

(2) That we give Marcos a more general commitment to provide additional economic support for Philippine projects related to land reform, irrigation and food production.

*Discussion:*

We have agreed to supply equipment for 3 battalions—part of the quid pro quo for the Phil decision to send forces to Viet-Nam.

We can handle two more by readjusting MAP, deferring delivery of F-5's and other equipment.

Problem is the other five battalions Marcos wants us to supply. Cost is about \$1.7 million per battalion—\$8.5 million for the five.

*State argues:*

—10-battalion program is a personal project of Marcos; he wants them more than any other single item;

—project makes good sense because:

(a) it will orient Phil Army in direction of civic action and internal security;

(b) it will help meet one of the Philippines greatest economic weaknesses, i.e., lack of rural roads to bring crops to market;

—Ambassador Blair considers it essential we support the 10 battalions—to make the visit a success, to preserve Marcos' domestic prestige, and to help him counter critics who argue the Philippines (and he) are too close to the U.S. and too dependent on American cooperation.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Marcos Visit Papers, Memos, 9/14-16/66. Secret.

<sup>2</sup> Not attached, but a copy, September 9, is in the National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL.

*Ball concludes:*

This commitment is "essential to the success of the visit;" funding should come from FY '67 appropriations, either AID or DOD;

necessary adjustments in FY '67 funds can be made "without serious damage to our other interests;"

part or all of the support might be offset in future years by adjustments within forecast MAP levels, but this should *not* be conveyed to Marcos.

*Secretary McNamara* (in memo attached)<sup>3</sup> dissents from State's view.

McNamara notes we are now funding three battalions. He has agreed to reprogram FY '67 MAP to support two additional battalions.

He opposes support for the other five, arguing:

- (1) Support for five (plus equipment for one in Viet-Nam) is ample recognition of the Philippines' "very small contribution" in Viet-Nam;
- (2) MAP money will be short; appropriations are being cut (probably \$92 million from the requested \$917 million) while we have additional claims (Thailand, Laos, Korea—NATO movements—loan guarantees due to higher interest);
- (3) 10 battalions are not essential to the Philippine security;
- (4) \$22 million programmed for Philippine MAP in FY '67 is ample;
- (5) Filipinos can finance five out of their own economy.

He suggests reviewing matter for FY '68 and deciding then whether support beyond the five proposed is desirable; but he would not give Marcos any commitment on support in future years.

*My opinion:*

It seems clear that this project is one most desired by President Marcos. In my judgement, failure to back him will adversely affect the atmosphere of his visit and his attitude toward us, as well as his position vs. his critics in Manila.

We are talking here of \$8.5 million, small in the overall scheme of things.

Finally, it is clear that these battalions, if equipped and properly utilized, can make an important contribution to critical Philippine economic needs. They have a weak public works sector. It will take time to reorganize and develop. Marcos wants these battalions for a serious reason: to give him an efficient instrument, under his personal control, to build roads and perform other essential public works in the near future.

However, in view of Secretary McNamara's reservations, you might consider the following track:

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<sup>3</sup> Not attached; dated September 9. A copy is *ibid*.

(1) Have Blair tell Marcos we are funding three battalions and are prepared now to fund two more; we will agree to putting this in writing in the communiqué; we are prepared to consider funding five additional battalions in FY '68.

(2) If Marcos accepts gracefully, fine. If not, Blair could tell him that this is a matter you wish to discuss when he gets here.

(3) In your talks with Marcos, repeat the pledge on five and tell him you will arrange funding for five more next year. However, if he considers 10 this year *absolutely vital* to his interests, we will do it. But he must understand that this will mean trimming elsewhere.

Follow your recommended track<sup>4</sup>

Agree to fund 10 and tell Marcos

Have DOD fund  
Have AID fund

Agree to fund 5 now and 5 more in FY '68 and tell Marcos

Agree to fund 5 only

See Me

On State's second recommendation (economic aid), I see no problems.

The package (not fully developed yet) will look something like this:

PL-480 (Title IV)	\$20,000,000	
Development loan (irrigation)	4,500,000	
PL-480 (Title II) (rural work projects)	4,500,000	
Development loan (technical studies)	2,000,000	
Technical assistance	1,000,000	
Repaired equipment (excess)	1,500,000	(actual value about \$10 million)
	<hr/>	
	\$33,500,000	(approximate)

We will have to negotiate some of these programs after the visit. However, State feels it essential to have your general approval to go forward on a program of this magnitude and to work out general communiqué language without specifying amounts.

We would talk with Congress—and on background with the press—along the above lines of magnitude. This would avoid the dan-

<sup>4</sup> None of the options is checked, but see Document 340.



ger of the Phil delegation putting out a greatly exaggerated picture of what has been promised.

Approve general commitment as outlined<sup>5</sup>

See Me

Walt

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<sup>5</sup> Neither of the options is checked.

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**340. Memorandum From the President's Special Assistant  
(Rostow) to Acting Secretary of State Ball<sup>1</sup>**

Washington, September 11, 1966.

SUBJECT

Assistance to the Philippines

The President has read your memorandum of September 9<sup>2</sup> on the above subject. He has also read Secretary McNamara's memo of the same date on one of the two subjects you discussed; namely, the supply of equipment for engineer construction battalions for the Philippine Army.

The President has decided:

(1) To have Ambassador Blair tell President Marcos that we are funding three battalions and are now prepared to fund two more. We will agree to put this in writing in the joint communiqué. We are prepared to consider funding five additional battalions in FY 1968.

(2) If Marcos accepts gracefully, fine. If not, the Ambassador could tell him this is a matter the President wishes to discuss with him when he gets to Washington. He could make clear to Marcos that the door is not closed on this, but that it is something our President wishes to discuss with him in person.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. III, Memos, 7/66–7/67 [2 of 2]. Secret. Drafted by Rostow on September 10. Rostow sent McNamara a similar memorandum (without the information on general economic assistance) on September 10. (Ibid.)

<sup>2</sup> See footnotes 2 and 3, Document 339.

(3) In his talks with Marcos, President Johnson will repeat the pledge on supporting five battalions and promise support for the other five in FY 68. He will also tell Marcos, however, that if the Philippine President considers it absolutely vital to his interests to have the 10 battalions immediately, we will give the necessary support. But he will make clear to Marcos that this will mean trimming elsewhere.

Points (1) and (2) above should be conveyed to Ambassador Blair.

State and Defense should work out appropriate handling of funding if we find it necessary to move to support for the full 10 battalions as outlined in (3) above.

On Point 2 of your memo (economic assistance), the President has approved the general commitment as outlined. However, the amount of total commitment or commitment to the individual projects specified in terms of the amounts involved should *not* be conveyed to Marcos or other Filipinos. The President prefers that these details be negotiated out when Marcos is here.

**W. W. Rostow<sup>3</sup>**

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<sup>3</sup> Printed from a copy that bears this typed signature. The signed original is in the National Archives and Records Administration, RG 59, S/S-White House and Agency Files: Lot 70 D 217, White House/W.W. Rostow.

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**341. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, September 12, 1966, 1:40 p.m.

**SUBJECT**

New Ideas for U.S.-Philippine Cooperation

You asked Bill Jorden to come up with some new ideas that might be raised with President Marcos. You asked him to staff out further the six ideas he submitted. He has done so.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. III, Memos, 7/66-7/67 [2 of 2]. Secret.

The attached memo and attachments cover the ground—including background and recommendations.

In sum, four of the ideas have possibilities; two are non-starters. You will want to consider these in light of the total package of assistance and cooperation that State, AID and Defense are now working up.

I am sending copies of the attached memo to State, AID and Defense so these matters can be considered at the meeting tomorrow on the Marcos visit.<sup>2</sup>

Walt

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<sup>2</sup> No record of this meeting has been found.

### **Attachment**

#### **Memorandum From William J. Jorden of the National Security Council Staff to the President's Special Assistant (Rostow)**

Washington, September 12, 1966.

#### **SUBJECT**

New Ideas for U.S.-Philippine Cooperation

In response to a request from the President,<sup>3</sup> I submitted some ideas for new forms of U.S.-Philippine cooperation—ideas the President might want to take up with Marcos during the latter's visit.

The President expressed interest and asked me to staff out further. Don Ropa and I have done so—consulting with State, AID, NASA, and other interested agencies.

I am attaching separate papers<sup>4</sup>—including recommendations—on the six ideas.

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<sup>3</sup> Jorden and Bromley Smith submitted six ideas to the President on August 23 in a memorandum. The President remarked that they were "Good" and asked that staff studies be prepared in a "Hurry." (Johnson Library, National Security File, Country File, Philippines, Vol. III, Memos, 7/66–7/67 [2 of 2])

<sup>4</sup> Attached but not printed.

To sum up my conclusions:

(1) *Filipino Astronaut:*

NASA has been trying to find ways to bring foreign nationals into our astronaut program. They see more disadvantages than advantages right now. Among the former are: resentment of other nations; trouble in finding a qualified candidate; let-down if man chosen flunked out, etc.

As an alternative, they propose Philippine participation in satellite, sounding rocket, and ground-based research and applications programs. This would start with a visit of Filipino scientists to NASA.

*Recommendation:*

The President tell Marcos of our desire to encourage Filipino participation in space-associated programs.

If Marcos shows interest, the President could offer NASA cooperation in developing a program.

He could invite Marcos to send a team of Filipino scientists and engineers to come to the U.S. to visit our space facilities. NASA would act as host and would help develop a program, including arrangements for training of young scientists under NASA-sponsored fellowships.

Note the Philippines have plans for a ground monitoring station for weather satellites. The President might encourage them to press forward and possibly ask if Marcos needs additional technical assistance.

(2) *Typhoon Damage Control:*

A small joint program is feasible, provided it meshes with regional plans being developed by ECAFE and the World Meteorological Organization (WMO).

*Recommendation:*

The President would advise Marcos of our interest in supporting regional planning in this field under ECAFE/WMO. He could also express interest in a joint U.S.-Philippine typhoon damage control center program.

Specifically, he might propose: (a) a small meteorological training program in the U.S. for selected Filipinos; (b) establishment of a U.S.-Philippine commission to study specific projects; (c) offer to conduct a typhoon modification experiment in the Philippines area in the next year; (d) send a U.S. meteorological team to Manila to make more detailed recommendations.

(3) *Regional Military Defense College:*

There is an obvious need for a center in Southeast Asia to conduct research and to develop new techniques in the field of countering

subversion and promoting democratic political and social development. Ultimately, this could become multinational. At the outset, we should consider plans for a Filipino center—with them in front and us helping.

*Recommendation:*

The President could remind Marcos of the Philippine initiative for a SEATO regional military staff college in 1956. Recall that we opened joint talks with them in 1958, but nothing came of it. Indicate our interest in reopening discussions keyed to the present nature of the Communist threat.

If Marcos was receptive, the President could state his interest in seeing such a Center evolve through Filipino and Asian leadership, with our support.

He could propose a joint panel of Filipinos and Americans to study this proposal and recommend a course of action. Suggest that it be a Filipino-directed enterprise at the outset, with the question of a tie-in with SEATO to be deferred until it was a going concern.

*(4) Regional Development Institute:*

ECAFE has plans underway for this kind of institute, aiming for a link-up with the Asian Development Bank. The critical need in the Philippines is for a rational approach to their own development process. A *national* development institute, on the model of Thailand's National Institute of Development Administration, might be proposed.

*Recommendation:*

The President might express our conviction that development planning can succeed only if it is systematized. He could offer our help in developing such a systematic institutional approach.

If Marcos were interested, the President might suggest the possibility of our support in developing a new institute or in combining existing programs at the University of the Philippines and in Marcos' executive office, where he has set up a small development group.

If Marcos welcomes help, offer to send a U.S. technical advisory team composed of governmental and foundation experts.

*(5) Manila–Tarlac Highway:*

This is a non-starter. We gave the Philippines a highway loan in 1959—and got 17 miles of road built. We need better Filipino performance—and a well worked out road development plan—before trying to move on this.

*(6) Bridge over the Pasig:*

Too low a priority item to draw on scarce Filipino resources at this time. The main traffic problem, as I understand it, concerns rights-of-way, bridge approaches and squatters at key crossings.

*Conclusion:*

The President might want to raise one or more of the first four items.<sup>5</sup>

In a sense, these would be dessert which should be looked at in light of what State, AID, Defense and others produce in the form of a main course. If the latter is substantial, we may want to hold off on the above.

State (Bundy) and AID (Poats) are aware of the general content of the above.

**Bill Jorden**

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<sup>5</sup> On September 14 Rostow recommended that Johnson raise the first four ideas in this memorandum with Marcos. (Johnson Library, National Security File, Country File, Philippines, Marcos Visit Papers, 9/14-16/66)

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**342. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, September 14, 1966.

**SUBJECT**

Marcos Visit

This is a revised briefing memorandum which replaces the one I sent to you on September 12.<sup>2</sup>

You will have seen State's Briefing Book,<sup>3</sup> especially the Scope Paper (Tab I B) and Secretary Rusk's Memo (Tab I C).<sup>4</sup>

*Background:*

Marcos is strongly pro-American. But he is also fiercely pro-Philippines. He has backed our position in Viet-Nam at considerable political

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Marcos Visit Papers, Memos, 9/14-16/66. Secret.

<sup>2</sup> Not printed. (Ibid., Memos to the President, Walt Rostow, Vol. 12, 9/1/66-9/14/66)

<sup>3</sup> Undated. (National Archives and Records Administration, RG 59, Visit Files: Lot 67 D 587, V. 10)

<sup>4</sup> Dated September 10. (Ibid., Central Files 1964-66, POL 7 PHIL)

risk. His foremost goal here is going to be to secure tangible evidence of U.S. support for his leadership and domestic goals. He has been under the gun from domestic critics. He wants to take home:

(1) Concrete achievements in the matter of veterans' benefits and claims;

(2) pledges of increased U.S. economic and military assistance.

He wants help; but he does *not* want to appear to be asking for our favors or as having been bought off by the U.S.

*Main Items of Business*

(1) *Viet-Nam*

Marcos is ready to give public support to the U.S. position. He will want a fairly full and frank review of the situation as seen from our vantage point.

*He may ask:* if we are likely to want increased operations from Philippine bases; whether we can increase military procurement in his country.

*You could:*

give him a completely frank appraisal of the situation;

in connection with peace efforts, express appreciation for his efforts through ASA to promote an Asian peace conference (he is sensitive about the publicity Thanat has had on this);

tell him we will do nothing about increased operations from the Philippines without consulting him;

note the recent opening of a Procurement Information Office in Manila which should be a help to Filipino businessmen.

(2) *Regional Cooperation in Asia*

Marcos is active in ASA, Asian and Pacific Council, Asian Development Bank (headquarters will be in Manila).

*He may ask:* status of your offer of \$1 billion for Southeast Asia development.

*You could tell him:* Gene Black will be going out in October and will want to discuss details or regional development with Marcos.

(3) *Military Assistance*

Marcos wants equipment for 10 engineer battalions for use in civic action projects. Your compromise solution has been presented to him (by Ambassador Blair) and he welcomed it. That is: we are funding equipment for 3 now; we will fund two more immediately; we will consider funding additional 5 in Fiscal 1968.

On other MAP problems, Marcos thinks the Philippines are not getting their share and that much equipment has been out-of-date. Fact is, the Philippines have not made effective use of much they have received.

Talks on the Bases Agreement are moving forward smoothly.

*He may ask:* if we can renegotiate the Military Assistance Agreement of 1953; he may ask about increased MAP.

*You could:*

note the engineer battalion agreement, noting we will consider more next year;

recall we have met his request for 6 Swiftcraft for anti-smuggling and for M-14 rifles and other equipment. We gave him a squadron of F-5's;

We will consider renegotiating the Assistance Agreement.

(4) *Economic Assistance*

Philippine economy is in bad shape—4% growth of GNP in past five years, 3.2% population growth.

Huk guerrillas are getting more active—taking advantage of local discontent.

Marcos has been moving—on anti-smuggling, tax collections, administrative improvements in Government. Remaining tasks are enormous.

The past Philippine record has been bad. They have not used much of the help offered—by World Bank, Ex-Im, AID, etc.

Marcos *will probably ask* for U.S. support for his rural development program, particularly in 10 major rice-producing areas.

For political reasons, he will want to be able to mention dollar amounts for loans we may be ready to consider.

*You could:*

recognize the problems he faces; admire the efforts he has made; applaud his emphasis on rural development and tell him we are ready to support sound projects in the 10-Province Program;

we are ready to open talks immediately on PL-480 (Title IV) sale of cotton, feed grains and tobacco (will generate pesos for use in his programs);

note we are now working out details with his specialists on PL-480 as follows:

Title IV—\$20.0 million

Title II—4.5 million

Title III—10.0 million

we are expanding technical assistance;

we are ready to extend a feasibility study credit;

total AID package is going to be worth more than \$50 million.

In short, we are backing his development plan. We want him to succeed. If the above projects and others go well, we will consider more.



If he wants, and will take initiative, we will support arrangements with World Bank and others for closer multilateral consultation and assistance to the Philippines.

(5) *Veterans Benefits and Claims*

You know the background on this. Legislation on benefits (orphans assistance and hospitalization) has passed the House; may pass the Senate in time for the visit.<sup>5</sup> Estimated cost: \$17 million for first year; may total up to \$425 over next 30 years or so.

On claims, we are ready to pay two. Estimated cost: up to \$42 million. We want Marcos to drop the other five claims. He will find this hard.

We have the money in hand (special fund in Defense). We have made offset arrangements to minimize balance of payments problem. This will be worked out with the Philippines.

*Note:* Marcos has been informed of the above and is delighted; he told Ambassador Blair it was "more than he expected." So this should go smoothly. Roughest point for him will be dropping future claims.

*Marcos may:* note political difficulty in committing any future Philippine Government to drop all claims.

*You could:*

express appreciation for his willingness to drop; leave the rest to the future;

explain to him that our panel found the other five claims do not merit further study;

tell him we don't know exactly how much the claims will come to, but our present estimate is more than \$30 million and as much as \$40 million.

(6) *Bases and Defense Relations*

We have been working with the Phils on revision of the 1947 bases agreement; things are moving ahead.

Rusk and Ramos will exchange notes formalizing the 1959 Understanding which will: (a) cut our base tenure to 25 years (from 99); commit us to consult the Phils on any non-Philippine or non-SEATO use of our bases, and on setting up long-range missiles there.<sup>6</sup>

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<sup>5</sup> On September 30 President Johnson signed H.R. 16330 and H.R. 17367, the two bills dealing with Philippines' veterans benefits. On October 11 he signed H.R. 16557, a bill relating to refunds of insurance benefits collected in error during World War II, which restored the value of the benefits to the full amount as intended in 1946. For Johnson's statements upon signing these bills, see Department of State *Bulletin*, October 31, 1996, pp. 684–685.

<sup>6</sup> For text of the notes exchanged, see *ibid.*, October 10, 1966, pp. 547–548. The summary minutes of the meetings of June 9, July 13, and August 29, leading up to this exchange of notes are in airgram A-180 from Manila, September 9. (National Archives and Records Administration, RG 59, Central Files 1964–66, DEF 15–4 PHIL-US)

We will reaffirm our mutual security policy.

*Marcos may:* ask if we are interested in any new bases; say he would want to call them "SEATO Bases."

*You could:*

tell him we will talk with him if we need any new installations;  
hope that our bases talks will proceed smoothly and will eliminate any irritants caused by the presence of bases;

note the Rusk-Ramos agreement with approval.

(7) *Trade and Investment Problems*

Economic nationalism is rising in the Philippines. Main problem is the Retail Trade Nationalization Law. But it is *not* now being enforced against American companies.

There is much agitation to abrogate the "parity clause" in Laurel-Langley Trade Agreement (gives U.S. investors equal rights with Filipinos in natural resources and public utilities until 1974). We do not seek renewal of this clause after 1974.

We favor negotiation of a new Treaty of Friendship, Commerce and Navigation to go into effect in 1974.

*Marcos may ask:*

would we agree to joint committee beginning work now to develop a new trade treaty?

would we accept abrogation of "parity?"

*You could:*

tell him we want to work together to maintain and expand trade;  
an increased flow of legitimate and worthwhile investment would help his development program;

we are ready to start informal talks aimed at later formal negotiations of a new trade treaty;

we expect Laurel-Langley to run to 1974; on "parity," our concern is proper safeguards for the rights of Americans who invested in the Philippines in good faith in the past.

(8) *Special Fund for Education*

This is a \$28 million war damage fund. We reached agreement with the Marcos Government in April on disbursement procedures. We are limited by the terms of the original legislation. So far, the Philippines have advanced no official project proposals. We want to use the fund in the next three years.

*Marcos may ask:*

can we use the fund to support the new National Cultural Center (a pet project of Mrs. Marcos)? They need \$3 million for this (of \$9 million total cost).

can we release the fund—or a large part of it—for a permanent trust fund with the interest used for educational projects?

*You could state:*

we will be happy to support use of the fund for the Cultural Center; we would like to disburse the fund in two or three years, but we will give his proposal further study.

(9) *Civil Air*

They are unwilling to accept a Bermuda-type agreement. We have refused a Manila–Tokyo–San Francisco route for PAL.

If Marcos asks about civil air, you might tell him if they will accept a Bermuda agreement (unlimited frequencies for U.S. carriers), we will give on the route problem. Informal talks could begin immediately, if he is interested.

The items above are the main problems we see coming up during the visit.

There will be a good deal of hard bargaining, back and forth.

But in my judgement, there are two key factors which provide the backdrop for the Marcos visit.

One, it is clear from reports from Manila that Marcos has really put his political neck on the block in backing our Viet-Nam position and in sending military forces there. But he did it.

The least we can do is recognize this fact and take actions that will make his position at home as strong as possible.

Second, Marcos is a sensitive, patriotic and sentimental man. He is also strongly pro-American. A private and personal expression of interest and support from the President of the United States will outweigh many other things. If he feels your personal concern with his problems, those problems are going to be easier to face.

In short, he should leave Washington knowing he has a true friend, a loyal friend in the White House.

I am sure he will.

**Walt**

**343. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, September 14, 1966, 8:45 p.m.

Mr. President:

SUBJECT

Your second meeting with President Marcos, 5 p.m. Thursday

It is clear that you got through a tremendous amount of essential business with President Marcos at your first meeting today, Wednesday.<sup>2</sup> I do not know, of course, how much time you had for general discussion of your perspective and his on Asia and the world.

I suspect that the most important single thing you can do on this visit is to ask his advice about Asia and to request him to present to you candidly his vision of the future of Asia. I say this not merely because of what we know of the man from reports, but from the rather remarkable statement he made in response to your welcome and his toast at the State Department lunch.<sup>3</sup> On the latter occasion he spoke wonderfully well of his desire, while maintaining his ties to the U.S. of reaching back into the Asian foundations of Philippine life and developing on this basis a role in a new Asia.

Therefore I suggest that you tell him:

1. of the excitement and encouragement you have derived from the spirit of the new Asia which has developed remarkably in the past year;

2. the U.S. does not intend to leave Asia but, as you said at Lancaster, Ohio,<sup>4</sup> you look for the regions of the world to take a larger hand in their own destiny in the future, as they can develop together and solve their own problems in their own way. You assume President Marcos shares this vision.

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 12, 9/1/66-9/14/66. Secret.

<sup>2</sup> September 14. Johnson met Marcos alone in the "Little Lounge" off the Oval Office from 5:26 to 7:46 p.m. (Ibid., President's Daily Diary) No written record of this conversation has been found, but see Document 345 for a discussion between Rusk and Johnson concerning what Rusk should inform the press about the meeting.

<sup>3</sup> The exchange of greetings by Johnson and Marcos, September 14, is printed in Department of State *Bulletin*, October 10, 1966, pp. 526-528. No record has been found of the exchange of toasts at the Department of State lunch on September 14.

<sup>4</sup> For Johnson's remarks on foreign policy at Fairfield County Fairground, Lancaster, Ohio, September 5, see *Public Papers of the Presidents of the United States: Lyndon B. Johnson, 1966*, Book II, pp. 973-975.

3. Above all, you have looked forward to his visit to hear directly from him his own vision of the future of Asia; the role of the Philippines in Asia; and his advice to you about what we should do and not do with respect to Asia.

**W. W. Rostow<sup>5</sup>**

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<sup>5</sup> Printed from a copy that bears this typed signature.

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#### **344. Memorandum for the Record<sup>1</sup>**

Washington, September 15, 1966, 5 p.m.

##### **SUBJECT**

Final Conversation Between President Johnson and President Marcos

(This memorandum was prepared by Mr. Bundy and cleared by Mr. Rostow. Since it has not been personally seen by the President, and in view of the sensitivity of the discussion at some points, it should be used solely for working reference, and its distribution is being limited to the following on an Eyes Only basis: Secretary Rusk, Secretary Fowler, Secretary McNamara, Mr. Ball, Mr. Rostow, and Mr. Bundy. A copy will also be given to Ambassador Blair for his personal use on his return.)

Present were:

President Johnson, Mr. Ball, Mr. Rostow, Ambassador Blair, and Mr. Bundy.

President Marcos, Secretary Ramos, Secretary Romualdez, Secretary Umali, Mr. Aspiras, Dr. Mapa, and General Menzi.

1. *Stabilization credit.* The President explained the reasons why the Secretary of State and the Secretary of the Treasury could not agree either to a general undertaking to support the peso or to a specific stabilization credit. He pointed out that we had never given an under-

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964–66, POL PHIL–US. Secret; Exdis. Drafted by Bundy. According to the President's Daily Diary, the meeting lasted from 5:08 to 6:03 p.m. (Johnson Library) Prior to this meeting, Marcos met with McNamara at the Pentagon from 4 to 4:30 p.m. A memorandum of their conversation by McNaughton, September 15, I–1307066, is in the Washington National Records Center, RG 330, OASD/ISA Files: FRC 70 A 6648, Philippines 00.1—333.

taking of support for any foreign currency, and that we had extended stabilization credits only in a multilateral framework involving the IMF. To depart from these principles would be a serious problem in our relations with other countries.<sup>2</sup> The President and Mr. Bundy also argued that the peso was now in sound shape, and that any reference to the subject might cause doubt in many international circles.

President Marcos and Secretary Romualdez argued that, while the peso was in sound shape, there were many speculators who were contending that the expenditures under the Marcos program would lead to inflation.

In light of President Johnson's position, there was some discussion whether the paragraph should be retained with general language as proposed on the American side. President Johnson finally asked whether the paragraph was necessary, and made clear that it was not important from a US standpoint. President Marcos, in consultation with Secretary Romualdez, finally suggested that the paragraph be dropped altogether, and this was accepted.<sup>3</sup>

2. *Offshore procurement.*<sup>4</sup> President Johnson explained that the creation of a special committee would appear to give favored status to the Philippines, and that this would cause us embarrassment in other countries. He urged acceptance of our draft language.

President Marcos did not press for the special committee, but did ask for a reference to a "procurement office." Mr. Bundy explained that the DOD simply had to keep the executive responsibility for Far East procurement in Tokyo, and that a separate action office in Manila would be inefficient. Mr. Bundy noted that the present Procurement Information Office should provide full information, and was closely wired to the Tokyo action office. Thus, with the assurance of participa-

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<sup>2</sup> President Johnson received a memorandum from Under Secretary of the Treasury Joseph Barr, September 15, strongly recommending against including in the Joint Communiqué issued at the conclusion of the Marcos visit a U.S. pledge to support the Philippines' peso. With the Department of State's concurrence, Treasury stated that the United States had never done this except on an ad hoc basis and it would "open up a Pandora's box of requests throughout the world." Both Treasury and State opposed standby credit for the Philippines from the Exchange Stabilization Fund. Such assistance should only be used in conjunction with financial support from the International Monetary Fund and World Bank. (Johnson Library, National Security File, Country File, Philippines, Marcos Visit Papers, Memos, 9/14-16/66)

<sup>3</sup> The text of the communiqué as released is printed in *Department of State Bulletin*, October 10, 1966, pp. 531-534 and *American Foreign Policy: Current Documents*, 1966, pp. 726-730.

<sup>4</sup> William Bundy sent Johnson a memorandum, September 15, recommending the positions on offshore procurement and the rest of the issues discussed at this meeting. (Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 13, 9/15-30/66)

tion on a "full and equitable basis," we believed we were going as far as we could.

President Marcos said that the problem was that a lot of Philippine sales under the program were now going through middlemen in Hong Kong and elsewhere, who had better information and connections to the US procurement authorities than the Philippine businesses did for themselves. Mr. Bundy said that this was a problem that should be remedied as the new Procurement Information Office took hold, and that we would take all necessary steps that this was the case.

President Marcos asked specifically about offshore procurement of drugs. Mr. Bundy explained that the US had engaged in such procurement only in very special cases where there was a marked quality and price advantage, as in one Italian situation. Mr. Bundy said that this had to be our policy, since our general attitude was one of limiting offshore procurement in every possible way for balance of payments reasons. If Philippine suppliers could qualify on the basis of such special advantages, they could participate, but only if this were the case. Mr. Bundy also referred to current US policy, under which steel products were not being purchased under offshore procurement, and explained that this was due in part to strong Congressional pressures.

President Marcos finally agreed to the basic American language, but suggested the deletion of the last two sentences referring to the Procurement Information Office. This was accepted by President Johnson.

3. *Military construction.* President Marcos asked acceptance of the Philippine language. President Johnson explained that this would carry the implication of an enlarged US undertaking, and that we simply could not do this, particularly at a time when we were cutting back military construction within the US. President Johnson said that we would simply have to leave it that we would go forward with any plans that were fully justified, but could make no undertaking in the communiqué.

President Marcos accepted President Johnson's position.

4. *Over-all settlement of veterans matters.* President Johnson referred to the proposed Philippine sentence that would have called for an over-all, Congressionally-approved settlement of all veterans matters. President Johnson explained that any further Congressional action in this area was out of the question. President Marcos accepted President Johnson's position, and the language was removed.

5. *Special Fund for Education.* President Marcos asked that the Philippine language be accepted, releasing the Fund to the Philippines and handing over its administration to a joint commission, with specified categories of use. President Johnson said that he was prepared to release the funds as rapidly as projects were approved, and specifically indi-

cated that if President Marcos wished to go ahead with the allocation of \$3 million for the cultural center he would be prepared to approve this and to start the machinery. (President Marcos did not himself refer to the cultural center, or pick up this specific offer.) However, President Johnson said that the existing joint panels had been established to develop project proposals, and that the thing to do was to have them get on with it. Finally, President Johnson said that we could not release the Fund to the Philippines for balance of payments reasons.

After some brief discussion, President Marcos accepted the deletion of the Philippine language, and it was agreed that the American language would be revised to constitute a direction to the joint panels to accelerate their work, with the two Presidents concurring that there should be rapid payout as projects were approved.

6. *Paragraph order.* President Johnson began by saying that he might have made a mistake in suggesting that the science paragraphs come first, and that of course he would be prepared to accept another order if President Marcos desired. Nonetheless, he wanted to make clear that his reason for putting the science paragraphs first was to get the "dollar sign" out of the communiqué, and to make clear that the two Presidents had talked of broader and more fundamental things. He enlarged on this point at some length, referring to the problem of a large country appearing to give largesse to a smaller country. Basically, President Johnson stressed his belief that the proposed paragraph order was in the interests of President Marcos himself.

President Marcos seemed to take to this argument, and there was some lighter exchange. Finally, President Marcos turned to his delegation and asked who had suggested the transposition, implying that it had never been his idea in the first place. Secretary Romualdez said that he had suggested the changes. President Marcos finally said that of course he would accept President Johnson's paragraph order and thought it was fine. This ended the substantive discussions on a light and friendly note.

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### 345. Editorial Note

President Johnson and Secretary Rusk talked on the telephone on September 16, 1966, at 10:18 a.m. The first 2 minutes and 8 seconds of the conversation were not available because of donor deed restrictions, so it begins with Rusk responding to the President, who was clearly annoyed and displeased, apparently at press reports of his discussion with Marcos:



Rusk: I will try to turn this around a bit at my press conference this afternoon.

Johnson: I just sure would. I would take every item and show it's a regular and moderate item that has been presented. And the President [Marcos] did not come and did not spend any of his hour and ten minutes discussing loans or aid. He said that he didn't want to discuss that and President Johnson agreed. They talked about the space thing and bringing some fellowship people in here. And they talked about studying the waters out there, oceanography. And they talked about an insurgency school and they talked about the Asian Development Bank. And I'm going out there some time, some way, I don't know how. But if you want to drop that you can say that they talked about that because he did urge me to come. I think that'll give you something a little dramatic that will get them off the money, them going out there. (Johnson Library, Recordings and Transcripts, Telephone Conversation between President Johnson and Secretary Rusk, September 16, 1966, 10:19 a.m., Tape F66.24, Side A, PNO 1)

At his press conference on September 16, Rusk answered a question on Marcos' proposed Asian political forum as a potential means of resolving the Vietnam war and his encouragement of contacts between North and South Vietnam. For text of the question and Rusk's reply, see Department of State *Bulletin*, October 3, 1966, page 480.

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**346. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, September 16, 1966.

SUBJECT

U.S. Aid to the Philippines

Whenever the United States agrees to help a country in need, it is easy—and all too common—to ascribe a cynical motive to that action. It is easy, too, to put a price tag on the action and to believe that thereby you have described a policy. It is all too simple—and generally superficial—to take an action by Government A and an action by Government B and make one the “pay off” for the other.

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<sup>1</sup> Source: Johnson Library, National Security File, Memos to the President, Walt Rostow, Vol. 13, 9/15/66–9/30/66. Confidential.

This has been the approach in some of the reporting of your decision to lend new assistance to the Government of President Marcos.

Much of the reporting ignores several fundamental points involved in this decision. Among these fundamental points, I would note the following:

1. *The assistance program just announced in outline is a determined effort to help a friendly country that is in trouble.*

The Philippine economy has become almost a model of unstructured, unbalanced, and stunted growth. The late 1950's were boom years. Gross National Product was growing at more than 5% a year. Industrialization was proceeding at a fast pace. But the rapid growth was unstable. The peso was over-valued. Import prices were artificially low. There were virtually guaranteed markets for the main exports.

In 1962, exchange controls were eliminated. The peso suffered almost 100% devaluation. Many marginal industries were in trouble. World prices for Philippine exports fell. Growth rates declined. The economy began to stagnate. The agricultural sector (employing between 70 and 80 per cent of the population) failed to expand. The Philippines, a rich farming country, finds itself importing 90% of its milk and dairy products and 10% of its total food needs. The population continues to rise dramatically (about 3.3% a year) as GNP stagnates at about 4%.

Our Filipino friends frankly admit that their operations are plagued by bureaucratic ineptness and nonperformance. Tax collections are inefficient and graft-ridden. Smuggling robs the federal treasury of \$100 million or more a year.

In the last half of 1965, credit restraints were largely ignored with the result that there was a 5% increase in the money supply since June 1955. A 10% rise in living costs occurred in the same period.

In part as a reflection of deepening economic trouble, Communist insurgents have increased their activity; propaganda efforts, recruitment and terrorism are all on the rise.

So here is a country in deep trouble, and we are trying to help.

The cynical can assert that we are merely "repaying" Filipinos for their decision to send troops to Viet-Nam. The fact is that we would have helped them in any case—indeed, most of the programs now going forward were being considered long before the Philippines' courageous decision to help their Vietnamese neighbors.

Needless to say, we are *not* providing economic aid to our Australian and New Zealand friends—who also have sent troops to Viet-Nam.

2. *In working with President Marcos, we are cooperating with a new and active administration, one that has clearly recognized its country's fundamental problems and a chief executive who is fiercely determined to move his country forward.*

President Marcos is not a man to ask for handouts or gifts without strings. He is a proud man. He is a man who wants progress for his people. He believes—and we share the belief—that the development and prosperity of his country is good, not only for the Philippines, but for Asia and for us.

He has taken steps to improve the efficient operation of his government. He has searched for men of capability and devotion and put them in positions of responsibility. He continues that search. He has moved actively against smuggling. He is trying to improve his country's tax collection system. He has worked out a Four-Year Development Program which underlines his goals, and we are working with his specialists to refine that program and to outline workable and feasible projects.

And his principal goal is to improve the agriculture of his country. He wants to expand productivity. He wants to build new roads that will bring the countryside into contact with the towns—and therefore with the markets. He wants to provide electric power for his people in the countryside, and to give them the water they need for irrigation.

An important element in President Marcos' plan is his concentration on 10 of his country's provinces. These are areas where the need for improvement is greatest.

Beyond meeting the present urgent problems in his economy, President Marcos wants his country to move proudly forward over the frontiers of science and technology. He wants to share in the exploration of space and of the ocean depths, to improve the technical and scientific training of his young people, and to provide for both training and research in the area of economic development.

We are cooperating with him in these ambitious enterprises—not to help a man but to help a man who wants to help his people.

3. *A careful look at the proposed forms of our assistance shows that each one is designed to help President Marcos and the Philippines to meet some of the specific problems they face—particularly in the agricultural sector.*

To be specific:

(1) A \$4.5 million loan

This is for irrigation. It will make possible the reconstruction and extension of existing irrigation works, providing much-needed water for the farmers.

(2) Feasibility study loan—\$2 million

This will permit the Filipinos to conduct engineering and economic studies, with our help, which will tell them whether proposed new projects, including additional irrigation works, make sense. These studies will follow up surveys already conducted in the Water Resources survey.

## (3) PL-480 (Title II)

A grant of food grains and other agricultural products.

This will provide:

(a) Partial payment (in the amount of \$3.5 million) to some 30,000 workers who will be digging and renovating irrigation ditches and building or repairing local roads.

(b) \$.5 million in grains, returns from which will help to capitalize livestock cooperatives.

## (4) PL-480 (Title IV)

Sale of between \$20 and \$25 million worth of needed cotton, feed grains and tobacco.

(Note: This is repayable in dollars at 3.5% interest.)

The peso proceeds from sale of these products will provide increased capital for the Agriculture Credit Administration.

They will also be used:

- for local costs of irrigation rehabilitation projects;
- for feeder road construction;
- possibly for some capital for the Land Bank.

There may also be some small grants to government agencies for such things as: agricultural research, technical training in agriculture; pest and crop disease control; land classification studies in connection with land reform.

## (5) Engineering equipment (\$1.8 million)

This is equipment from surplus military stocks. It will be renovated by use of AID funds. Value of the repaired equipment is estimated at \$10 million and it will be given to provincial governments (in 8 of the 10 critical provinces). The equipment is to be used in the road-building program and for irrigation and other agricultural development projects.

We will also be supplying some spare parts and technical training on operations and maintenance.

## (6) Other technical assistance (about \$1 million)

To be used for such things as providing for a team from the U.S. Farmers Union to advise on agricultural credit, and for a team from the Rural Electric Cooperative Association to help work up projects for establishing new rural electrification cooperatives.

## (7) PL-480 (Title III)

This is a continuing program. It provides food products to U.S. voluntary agencies, such as the Catholic Relief Service, for their programs of aid to needy Filipinos.

(8) In view of the need for better performance in the tax collection field, we have sent several specialists from the Internal Revenue Service to the Philippines. This is a small project which represents about 2½ man-years of labor on our part annually.

Even our assistance in the military field is related closely to President Marcos desire to help his farmers. The five engineer battalions we have agreed to support this year with equipment will be used by him in civic action projects—primarily road-building in rural areas.

This, we see when we look beneath the titles and the amounts, that the assistance program that we are working out with the Philippines is designed to meet specific needs, and primarily those needs in the field of agriculture which the Philippine Government and we recognize as most urgent.

4. Finally, it should be clear that the kind of program outlined in this memo and which we hope to carry out with the Philippines Government is a reflection of your consistent—and often repeated—concern with the problem of food production in a world where the population is rising steadily.

For example, on March 19, 1964, in your foreign aid message, you noted:

“Funds for educational and technical cooperation—to help start schools, health centers, agricultural experimental stations, credit services, and dozens of other institutions . . . But they will be used by selected projects to raise the ability of less fortunate peoples to meet their own needs.”

A year later, on January 14, 1965, you said:

“In the years ahead, if the developing countries are to continue to grow, they must rapidly enlarge their capacity to provide food for their people. Up to a point, they can and should improve their ability to buy some of their food from abroad. For the most part, however, they must expand and diversify their own production of food.”

On February 10, 1966—in your *Food for Freedom*—you said:

“We will launch a major, new attack on worldwide hunger. We will present this year a new food aid program designed around the principle of intense cooperation with those in all hungry countries who are ready to help themselves. We will direct our assistance program toward a cooperative effort to increase agricultural production.”

And again this year—on June 30, 1966 in your *Food for Peace Report*—you said:

“In simplest terms the task of bringing food and population into balance—while maintaining progress in health, education and economic growth—is the most critical challenge many countries are facing today. It will probably remain their most urgent challenge in the immediate years ahead. The world’s capacity to respond will dramatically affect the course which individuals and nations choose in confronting their problems and neighbors in coming generations.”

W. W. Rostow<sup>2</sup>

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<sup>2</sup> Printed from a copy that bears this typed signature.

**347. Memorandum From Secretary of State Rusk to President Johnson<sup>1</sup>**

Washington, October 14, 1966.

**SUBJECT**

Matters of Substance for Your Country Visits

You will be supplied daily with material covering the successive country stops. This will give detail on leading personalities with whom you will be talking, topics that may come up, and suggested positions. This memorandum is a shorter summary, for your personal use, of those key items that may require your personal attention and some review of the detail with me prior to our talks. I have also highlighted sensitive issues that may not be raised in high-level conversations, but of which you should be aware.

This memorandum does *not* cover the question of your speeches and statements. Drafts of these will reach you through your own staff, on the basis of materials prepared by the Department and your staff.

In looking at each visit, we have all tried to find special topics on which you could make new proposals or offers of assistance *that would be consistent with our interests apart from the trip*. Items of this sort will appear in the speech material, but by far the most basic issues concern *military assistance for Thailand* and the question of our *rubber stockpile disposal policy for Malaysia*. Both of these would be critical in any event at this time, and the handling of them could have a great effect on the atmosphere of your visit to each of these two countries. They are covered in more detail in separate papers sent to you.

I have arranged the material in separate pages for each country.

**Dean Rusk<sup>2</sup>**

[Here follows material on New Zealand and Australia.]

**III—PHILIPPINES**

The Marcos visit covered all aspects so thoroughly that you should find Marcos quite content with the result and with little on his mind on our bilateral relations. He may raise such topics as delivery time

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1964-66, POL 7 PHIL. Secret. President Johnson visited East Asia for 17 days beginning on October 17. The President was in Manila from October 23 to 27 excluding the 1-day surprise trip he made to Cam Ranh Bay, South Vietnam on October 26.

<sup>2</sup> Printed from a copy that indicates Rusk signed the original.

for the engineer construction equipment for the five battalions, and you could simply indicate that this is being pushed forward as hard as possible.

The various loan and PL-480 projects covered in the communiqué with Marcos<sup>3</sup> have all gone along reasonably well.

As to dollar figures, you should be aware that Marcos and his people have put out such figures as “a half billion” as the amount that will be coming to the Philippines as a result of the Marcos visit. This is of course way in excess of the total of approximately \$100 million which would be reached by adding every single item on the list—economic aid, military aid, and the first year cost of veterans benefits and the two claims. The Filipinos have latched onto the ultimate actuarial payout on veterans benefits (\$425 million by our calculations), and are also inclined to throw in World Bank loans (\$40 million) and all their private lending commitments now outstanding. This kind of “numbers game” is regrettably an old Philippine institution. I would recommend that if this subject comes up at any point, you avoid numbers completely and simply say that the undertakings in the communiqué speak for themselves.

[Here follows material on Thailand, Malaysia, and Korea.]

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<sup>3</sup> See footnote 3, Document 344.

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#### **348. Intelligence Memorandum Prepared in the Central Intelligence Agency<sup>1</sup>**

No. 0631/67

Washington, April 19, 1967.

##### **THE HUK RESURGENCE IN THE PHILIPPINES**

1. The resurgence of the Hukbong Magpapalaya Sa Bayan—commonly known as the Huks—could cause President Marcos serious

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. III, Cables, 7/66–7/67 [2 of 2]. Secret. This memorandum was prepared by the Office of Current Intelligence and coordinated with the Office of National Estimates. Rostow sent this memorandum to the President under cover of a note of April 19 which stated: “I had this CIA evaluation of the Huk resurgence in the Philippines especially prepared. It shows a modest increase in Huk capabilities; grave political weakness in Central Luzon political life; promising political and security counter-measures, inadequately followed through.” There is an indication on the note that the President saw Rostow’s note and presumably the attached memorandum.

political difficulties, although so far the resurgence poses no major threat to his government. He has made eradication of the Huk movement, mainly based in Central Luzon, a major goal of his administration.<sup>2</sup>

2. During the past 20 months, both the strength and the activities of the Huks have shown a marked increase. The number of armed cadre has grown from an estimated 37 to possibly 300–400, and the US Embassy in Manila estimates that the mass base support has increased by five to eight percent to about 28–29,000 persons, roughly one percent of the population in the affected provinces. The number of assassinations and kidnappings jumped abruptly from a total of 17 in 1965 to 71 in the first eight months of 1966. Although later figures are not available, the higher level of activity appears to be continuing. The most flagrant act of terror was the murder in July 1966 of Mayor Anastasio Gallardo of Candaba, chairman of the anti-Huk Mayors' League of Pampanga, while he was on his way to a meeting with President Marcos. The league has since become dormant, its members fearing Huk reprisals.

3. Originally the paramilitary arm of the illegal Philippine Communist Party (PKP), the Huks over the years have taken on the appearance of marauding bandits and extortionists, rather than of revolutionaries motivated by Communist ideology. Although there have been recent indications that recruits are again receiving Marxist indoctrination, among the peasantry the Huks maintain a "Robin Hood" image of assisting the poor. In fact, the Huks' separate system of justice in the area they influence, chiefly in the rice-producing provinces of Central Luzon, appears to be more efficient than the government's slow-moving and often corrupt judicial system. The Huks' decisions, which do not always favor the peasant, seem to be accepted by many landlords as well.

4. The Huks' present ties with the PKP are vague and contradictory. The terrorism that sustains Huk power is not in keeping with the party's purported abandonment of terror for the "parliamentary struggle." Links between the leadership of the two groups appear tenuous. Pedro Taruc, until recently the Huk chieftain, is one of a three-man committee that reportedly has taken over the functions of

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<sup>2</sup> In a Special Report Weekly Review, SC No. 00758/67A, February 24, the CIA concluded that during his 14 months in office, "Marcos has broadened the Philippines involvement in Far Eastern international problems, while showing little more than good intentions on the domestic front." Such a concentration "has tended to leave relatively untouched the deep-seated social, economic, and political problems." The report noted that there was "widespread discontent with pervasive rural poverty and rising urban unemployment has contributed to a rise in crime and violence as well as a resurgence of leftist activities" including the revival of a modest threat from the Huks. (Ibid.) The President apparently did not see this report.



imprisoned PKP secretary general Jesus Lava. According to a recent report, however, Taruc has relinquished Huk leadership to Faustino del Mundo, whose Communist leanings are believed none too firm. Other reports suggest that the imprisoned former party leaders may retain control through intermediaries of both the party and the Huks.

5. Marcos moved quickly to meet the revived Huk threat. Last June he launched Operation Central Luzon, later renamed the Central Luzon Development Program. The immediate mission of this plan was to implement the land reform code in critical areas of eastern Pampanga Province, Central Luzon, and eventually to construct roads, schools, and irrigation projects, and to improve agricultural methods. So far, results have been modest. To improve security conditions, Marcos has requested funds in the FY-1968 budget to expand and improve the Philippine constabulary.

6. A major stumbling block to reducing Huk influence is the continuing collaboration of local politicians seeking the votes the Huks can deliver. With the approach of off-year elections this November, there appears to have been an increase in this collaboration. In Pampanga, the Huks seem to enjoy the support of the governor. More critical, however, is the evident acquiescence of much of the peasantry. This attitude can be expected to continue as long as local landlords block reform efforts, as corruption by officials diverts funds from development projects, and as legal redress remains slow and one-sided.

7. A manifest failure by Marcos to reduce Huk influence could contribute to his future defeat at the polls. Over the long run, if not effectively dealt with, the Huk movement could again develop into a major insurgent threat.

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#### **349. Telegram From the Embassy in the Philippines to the Department of State<sup>1</sup>**

Manila, April 20, 1967, 1011Z.

10813. Subject: USAID multi-year strategy paper. Ref: Aidto Circ XA 2031.<sup>2</sup> Country Team message.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967-69, AID (US) 1 PHIL. Confidential; Priority.

<sup>2</sup> Aidto Circular XA-2031, February 2, provided guidance for implementation of AID's Planning-Programming-Budgeting system. (Ibid., POL 1 US)

1. We have carefully reviewed the proposed USAID multi-year strategy paper (MYSP) full text of which being pouched<sup>3</sup> and strongly endorse it. This paper directly addresses the problems facing the US in the Philippines and the fundamental issues associated with Philippine economic development; and proposes a plan of action through FY1975, along with priorities, that we believe is both realistic and necessary. Highlights follow:

2. Major emphasis. The MYSP has four main points of emphasis as follows. It emphasizes (1) the development and support of local governments and private institutions as viable alternatives for total dependence on central government agencies, and as vehicles through which economic development programs and projects can be executed; (2) that as the Philippine agricultural program gains momentum there should be a decrease in social unrest in rural areas with unabated social unrest in urban areas, requiring a balanced socio-economic program to offset both; (3) the postponement, to the extent possible of major US capital and large-scale conventional technical assistance projects until later in the planning period and after appropriate institutions have been developed and are functioning; and (4) a recognition of the advisory role of USAID technicians who perform catalytic and promotional functions in the private sector and at both the central and local levels of government, particularly the latter (which already extensively done by number of USAID staff).

3. Consequences of this approach. In order to make the plan effective we see a need to increase the USAID staff from its present level; a need for local currency, in part to be derived from PL480 sources; and probably a need for closer cooperation among all US agencies at the working level. Staffing and peso requirements have as yet not been worked out, in terms of magnitude and timing over the eight year planning period. Likewise organizational requirements for the US Mission have not been thought out. Before we proceed with these details we need general agreement on the proposed overall approach which, we repeat again, is in our judgment realistic and necessary.

4. USAID goals. In view of the US objectives in the Philippines and in Southeast Asia, the problems the US faces in realizing these objectives, and the approach set forth in the USAID MYSP to enable progress to be made, the following six goals are proposed as ones which will govern USAID activities over the planning period, subject of course to modification if and when basic conditions in the Philippine setting change, e.g., stepped up Communist activity in the Philippines

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<sup>3</sup> In Ingram Airdto A-840, April 25. (Ibid., AID (US) 1 PHIL)

emanating from outside the Philippines, failure of agricultural program, etc.

(1) Demonstrating to the Filipino elite, nationalist and other, the advantages of pursuing a vigorous economic development policy that is outside partisan politics, and ultimately identifying nationalism with growth and prosperity;

(2) Denying potential Communist or other subversive exploitation of those Philippine socio-economic problems most susceptible to exploitation, and thus preventing diversion of Philippine energies from the task of economic development;

(3) Creating for the Filipino elite and GOP policy makers an expanded reservoir of patriotic Filipinos who are capable of viewing objectively the socio-economic problems of their country;

(4) Improving, on a modest scale, Philippine health, education and public administration, in preparation for the time when economic development becomes a national policy;

(5) Developing private Philippine institutions and local governments, where possible, to become viable alternatives for central government bureaucracy, and through which programs and projects can be executed;

(6) Encouraging non-US assistance in financing and executing foreign aid projects in order to gradually focus Filipino attention away from the United States, and particularly within the Southeast Asia region itself.

The specific program components associated with the achievement of each goal, along with priorities over time, are identified in the MYSP.

5. The foregoing outline of the new approach proposed in the MYSP was reviewed by the Ambassador and USAID director prior to their departure for Washington and approved in principle. It reflects a growing view within this Mission that more vigorous steps and new departures are essential in the general thrust of our aid programs in the Philippines if we are to assist the present administration in halting the downward internal spiral which has characterized the past several years and in effecting a reasonable turn-around.

6. In its early phases it will represent a concentration of effort in those areas which in our judgment appear to offer the greatest present hope of success; i.e. a selective concentration on those provincial or local activities which bear continued promise of producing immediate though initially small-scale results at the grass roots level, in the expectation that these may spread more generally to other areas of the country and take hold. It represents, moreover, a deliberate effort to identify

ourselves progressively and to the extent possible with the common man, whose restiveness is increasing.

7. It would bypass in many places the central national bureaucracy and to this extent would admittedly constitute a greater US involvement in the internal affairs and political habits of the country. It cannot, on the other hand, be accomplished without the wholehearted support of the Marcos administration and must accordingly be sold to the President and his immediate advisors in such a way as to enlist their full support. Given Marcos' continued determination to effect major internal improvements, however, and his enthusiasm for earlier efforts along these lines, we are optimistic that he can be persuaded.

8. This does not imply that the projected policy would entirely neglect efforts at the national level. Some elements of the program would continue to be directed specifically in that direction, and toward the end of the project it would be our hope that progressively more of our joint effort could be channeled in that direction as the overall situation improved. But the major thrust of our assistance and advisory efforts during the early stages would clearly involve a new emphasis on local administration, building hopefully on our experience and success in the immediate past with the US supported rural development program.

**Wilson**

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**350. Memorandum From the President's Special Assistant  
(Rostow) to President Johnson<sup>1</sup>**

Washington, June 8, 1967.

**SUBJECT**

Equipment for Five Additional Engineer Battalions (Philippines)

You will recall that we are supplying equipment for five engineer construction battalions for the Philippines. This was in response to

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, [Filed by Johnson Library]. Secret.

President Marcos' request made during his visit last Fall. The equipment is all to be delivered by the end of this month.

At the same time, you agreed to consider supplying equipment for a second five battalions in Fiscal 1968. As you know, nothing ranks higher on President Marcos' list of priorities than equipping these 10 battalions for vital civic action work—road building, irrigation, etc. Reports from Manila indicate the Filipinos are beginning to use effectively the equipment thus far provided.

There is no doubt that failure on our part to carry through on the second five would be read by Marcos—and by his political enemies—in this election year as clear evidence of unwillingness to back him on an important program to which he is publicly committed. On the other hand, the political and psychological advantages of our moving forward—even before he pushes us on the matter—would be great.

State and Defense recommend that we promise the additional equipment (see attached memo from Secretary Rusk).<sup>2</sup> I heartily concur. The Bureau of the Budget supports the recommendation.

Defense has made available an additional \$4.4 million from overall FY 1967 MAP. This will take care of more than 2½ battalions. The additional \$4 million required can be acquired by cutting some lower priority items from FY 1968 Philippine MAP.

While promising to supply the equipment, we would not give a firm pledge on timing of deliveries. However, I am assured that every effort will be made to complete delivery in CY 1968 and possibly in FY 1968. This will depend, in part, on the timing of Congressional action on FY 1968 MAP appropriations.

All concerned believe that this action will have a favorable effect in easing some of the tensions that have developed in U.S.-Philippine relations. It is recommended that President Marcos be informed of your decision in a personal letter from you.

This letter also should cover the main elements in our current relations and should open a new and constructive dialogue between you and President Marcos. A proposed text is attached.<sup>3</sup> We would telegraph the text and pouch the signed original.

Secretary Rusk asks that you authorize him and Secretary McNamara to inform Congressional leaders on both sides and the chairmen of key committees that you propose to make this commitment. They do not anticipate any objections. You may, however, wish

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<sup>2</sup> Dated June 5, not printed. Another copy is in the National Archives and Records Administration, RG 59, Central Files 1967–69, DEF 19–8 US–PHIL.

<sup>3</sup> Not printed. For the letter as sent, see Document 351.

them to carry out this consultation on the Hill before the letter to Marcos is sent.

**Walt**

Supply of equipment approved<sup>4</sup>

Disapproved

Letter to Marcos approved

Disapproved

Have Rusk and McNamara consult Congressional leaders

Send letter immediately

Hold letter pending consultations on Hill

See me

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<sup>4</sup> The President checked the options to approve supplying the equipment, the letter to Marcos, Rusk's consulting with Congressional leaders, and holding the letter to Marcos pending consultations with Congress.

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**351. Telegram From the Department of State to the Embassy in the Philippines<sup>1</sup>**

Washington, June 24, 1967, 5:09 p.m.

215920. For Ambassador.

1. Request you deliver in person the following letter dated June 24, from President Johnson to President Marcos. (Signed original being pouched.)<sup>2</sup>

*Begin Text*

"Dear Mr. President:

I still think often and warmly of your and Mrs. Marcos' visit to Washington last year, and of our later meetings in your capital during

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL PHIL-US. Secret; Niact; Limdis. Drafted by Service, then revised in the White House; cleared by Walt Rostow, William Bundy, Steadman of DOD/ISA, and Ives of AID.

<sup>2</sup> The signed original is in the Johnson Library, National Security File, Special Head of State Correspondence, Philippines, Part II [2 of 2].

the Manila conference. And I read with close attention reports from your country, especially those which describe your courageous struggle to meet the urgent problems that confront you.

Some of these reports have caused me to give a good deal of thought in recent weeks to the relations between our two countries. From a remark you made some weeks ago to an American reporter—that our relations ‘are in a vexing and irritating period of readjustment’—I know that this question is very much on your mind, too.

I think it would be useful, therefore, if you and I could exchange views on this important subject. I believe we should explore together what can be done to strengthen and deepen our relations, and to remove, or at least reduce, such irritants as exist.

At the outset, I must say that I have no doubt whatsoever that our relations rest on a solid foundation. Our shared history and common values are important parts of this foundation. In the long run, of course, durable and harmonious relations between nations depend on their national interests, but here, too, I find no cause for anxiety.

Your national interests and ours are on parallel courses. Our two countries are cooperating toward the goal of peace in the Pacific. Our military presence in the Philippines contributes to your security and enables you to concentrate your resources more fully on social and economic development.

At the same time, our presence permits us to fulfill our heavy responsibilities in the area as a whole.

You and your administration are making strenuous efforts to build a strong and expanding economy, one that will give your people more jobs, improved housing, a higher standard of living, broader education, and better health. I know that you are pushing ahead to expand internal savings, both public and private, to finance these efforts. We ardently hope that you will succeed.

I know very well the difficult problems you face in these efforts to produce effective programs and convert them into actions. I assure you that we are anxious and ready to help.

At the same time, we both realize that irritations exist. During your visit to Washington and since, you and I have cleared up many of these matters which had been pending too long.

Our governments signed a new agreement on bases tenure. We have supplied high-speed boats to help in your anti-smuggling campaign. We have taken action on veterans’ benefits and are making progress on claims. We reached agreement on the first two projects under the Special Fund for Education. Our A.I.D. program is going

forward in promising new directions, particularly in rural development. We are ready to begin discussion of the concept of our trade relations after the expiration of the Laurel-Langley Agreement.

Your program to raise rice production is among the most hopeful in Asia today.

We agreed last September to equip five engineer battalions which, in addition to their military mission, are carrying out vital civic action programs. I am assured this equipment will be delivered by the end of this fiscal year. I have read encouraging reports on the potential of those battalions and the key role they are beginning to play in your economic and social development effort.

I have considered providing equipment for the second five battalions, as I promised to do. I am happy to tell you that we will be able to provide equipment for these additional battalions, subject, of course, to the availability of appropriated funds. The equipment for these battalions will be financed in part from this year's funds, and the balance from new appropriations. Some of these funds represent additional assistance, but some may have to come from within planned military assistance levels with engineer equipment replacing items of a lesser priority. I hope that you will treat this undertaking as wholly private between us. I believe we should consult closely as to the appropriate timing and form of an announcement, and I would appreciate your views on this at your early convenience.

When you were here, you and Mrs. Marcos told us of your deep interest in providing support for the Philippine National Cultural Center. I have looked into this and am delighted to tell you that I have now authorized Secretary Rusk to work out formal arrangements with your officials along the lines of the proposal your Government advanced earlier this year. This calls for a \$3,500,000 contribution into a trust fund, the interest on which will be used to finance the programs and operations of the Cultural Center.

Sometimes we cannot meet requests from your Government. The turnover of Sangley is an example. That base serves important security and defense purposes—ours, yours, and those of our allies. When we studied the matter, we saw no feasible way of shifting the operations elsewhere.

I assure you that I will do everything in my power to help you in every way I can. I am deeply desirous of doing all possible to reduce irritations. I know the presence of American military personnel in the Philippines is bound to produce some strains. But I am sure you will agree that mutual understanding and mutual sensitivity can keep those strains within bounds.

Our common problems cannot be solved only by the actions of one or the other of us. And I must confess candidly that I am troubled



by the chorus of extreme criticism from some Filipinos directed against us, our policies and our actions.

I am troubled, also, by signs of increased hostility toward foreign investment, a matter that is being discussed extensively now in American business circles.

As you know, foreign capital played an enormous role in the economic development of the United States. It could do the same in the Philippines. But it is not likely to be attracted if it is regarded with suspicion and distrust.

I realize you are doing what you can to keep these matters in true perspective for your countrymen. I hope the report by the special committee on Philippine-American relations of your Congress will provide a better and deeper understanding of what is involved in our relations and what needs to be done to further improve them.

It was my hope that Vice President Humphrey would be able to visit your country and to discuss these matters in detail. Unfortunately, his journey to the Philippines and other countries of the area had to be postponed because of the Middle East crisis and other urgent business here. He will be heading our delegation to the inauguration of President Park in Seoul, but will return immediately to Washington.

I had hoped the Vice President could deliver this letter during his visit. I have, instead, asked Ambassador Blair to present it to you promptly.

I have written to you as I can only to a friend, knowing that you have given these matters a great deal of thought. I would deeply value your views on what we each can do to serve better our common interests and our shared purposes. You know how much I value your friendship and advice, and how much I believe in the close and continuing cooperation of our two countries and peoples.

Sincerely, Lyndon B. Johnson"

2. In addition, you should make clear following point orally to President Marcos: We want to make clear that while we will provide the funds in FY1968 we are not undertaking to deliver all of the equipment in FY68. We will, of course, do our best to deliver the equipment as rapidly as possible.<sup>3</sup> FYI: It is particularly important that Marcos

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<sup>3</sup> Blair reported in telegram 12912 from Manila, June 25, that he delivered the letter to Marcos who read it then and was pleased. Marcos told Blair that hostility toward American investment was politically motivated pressure from vested Philippine business interests. Marcos promised a showdown on the pending Investment Incentive Bill. He dismissed the extreme criticism of the United States by noting it came from a small minority of politicians who collaborated with the Japanese in World War II, whose outlook was "professional anti-American." Marcos accepted the injunction that not all the equipment would arrive in fiscal year 1968. (National Archives and Records Administration, RG 59, Central Files 1967–69, POL PHIL-US)

understand this because the language of article 15 of the September 15, 1966 Communiqué bound us to provide (i.e. deliver) equipment for five ECBs in FY67 and to consider furnishing (i.e. delivering) equipment for five more ECBs in FY68. End FYI.

Katzenbach

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**352. Information Memorandum From the Assistant Secretary of State for Far Eastern Affairs (Bundy) to Secretary of State Rusk<sup>1</sup>**

Washington, June 29, 1967.

SUBJECT

Current Developments in US-Philippine Relations

1. *Philippine Veterans Claims Agreement*—On June 29, 1967 an Executive Agreement was signed in Manila under which the United States will pay (early in July) the Government of the Philippines \$31,120,000 in settlement of two World War II Philippine veterans claims.<sup>2</sup>

2. *Bilateral Textile Agreement*—Agreement was reached here on June 28, 1967, on a new bilateral textile agreement.<sup>3</sup>

3. *Engineering Construction Battalions (ECBs)*—The bulk of the equipment for ECBs 1–5 was turned over to the GOP in Manila on June 24. In a speech at the turnover ceremony, Marcos deflated criticism of the US by his political opposition when he declared we had completely complied with our commitment to equip five battalions. FYI. The decision to equip the second five ECBs was conveyed to Marcos in the President's letter of June 24.<sup>4</sup> The letter and this decision have not been made public. We expect Marcos' response to the letter shortly. End FYI. (Vice President Lopez may or may not be privy to the FYI portion above. This is provided for the Secretary's information and in case the Vice President should raise it.)

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL PHIL–US. Secret; Exdis. Drafted by Dawson S. Wilson and Ralph C. Porter (both of EA/PHIL) and cleared by Richard M. Service (EA/PHIL), John R. Burke (EA), and Bundy. A note on the memorandum indicates that Rusk saw it.

<sup>2</sup> For text, see 18 UST 1392.

<sup>3</sup> The agreement was signed at Washington on September 21, 1967. (18 UST 2379)

<sup>4</sup> See Document 351.

4. *Philippine Aid to Viet-Nam*—Marcos and his administration have consistently supported the Free World position in Viet-Nam. The 2,000-man Philippine Civic Action Group (PHILCAG) arrived in Viet-Nam in October 1966 and is stationed in Tay Ninh province. The GOP has been paying the salaries of the troops. The U.S. pays overseas allowances and furnishes equipment and logistic support for the PHILCAG.

5. *Future Economic Relations*—President Marcos and President Johnson have recently named respective teams to discuss the type of instrument to replace the Laurel–Langley trade agreement after its expiration in 1974.<sup>5</sup> The date and site for the first meeting have not yet been determined.

6. *Bases Negotiations*—Over the past two years, we have taken major steps to update the 1947 Bases Agreement, which covers Clark Air Base, Subic Naval Base and Sangley Point Naval Station, as well as some smaller bases. In 1965, we concluded a new criminal jurisdiction article on the NATO–Netherlands pattern<sup>6</sup> and relinquished some 50,000 acres of base lands. During the September 1966 Marcos visit, the Rusk–Ramos agreement was signed, reducing the duration of base use to 25 years.<sup>7</sup> The GOP has now asked for, and we have authorized the Embassy to participate in, a preliminary review of other provisions, including customs and immigration, taxation and conditions of employment. These discussions are not yet underway.

7. *Special Fund for Education*—Agreements have been concluded on two Special Fund for Education projects: a Classroom Construction Project on May 17, 1967 and a Textbook production project on June 26, 1967. President Johnson recently approved a third project, a \$3.5 million Cultural Center Trust fund project.<sup>8</sup>

8. *Philippine Interest in US Rice*—The Government of the Philippines is interested in purchasing 50,000 tons of US rice. We have approved CCC credit for 25,000 tons. Internal maneuvering by the Filipinos has delayed the purchase.

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<sup>5</sup> Information on the creation of the U.S. team and the issues that it faced are in a June 20 memorandum from Richard Moose of the NSC Staff to George Christian, White House Press Secretary. (Johnson Library, National Security File, Country File, Philippines, Vol. III, 7/66–7/67)

<sup>6</sup> August 10, 1965. (16 UST 1090) The agreed minutes of the 12 meetings between Ambassador Blair and Foreign Secretary Mendez, January 5–May 21, 1965, resulting in this agreement are in the following airgrams from Manila: A–571, February 5, A–603, February 17, A–629, February 25, A–705, March 19, A–787, April 7, A–840, April 23, A–879, May 4, A–916, May 14 and A–995, June 4, 1965. (National Archives and Records Administration, RG 59, Central Files 1967–69, DEF 15 US–PHIL, DEF 15–4 PHIL–US, DEF 15–3 PHIL–US)

<sup>7</sup> See footnote 6, Document 342.

<sup>8</sup> For texts, see 19 UST 5082, 19 UST 5129, and 19 UST 5151, respectively.

9. *Talks on Abaca Disposals*—We are discussing with the Filipinos the problem of low abaca prices which they attribute to GSA stockpile disposals. We attribute the decline to inroads by synthetic fibers.

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**353. Memorandum From Marshall Wright of the National Security Council Staff to the President's Special Assistant (Rostow)<sup>1</sup>**

Washington, August 2, 1967.

**SUBJECT**

What an Ambassador in Manila will have to deal with

We discussed the desire of John Macy's office (Lou Schwartz and Bob Cox) for information on U.S./Philippine relations relevant to the selection of a new Ambassador. They insisted on a quick oral briefing. What follows is a reconstruction of the conversation. I will be delighted to make any additional points or changes of emphasis that you deem advisable.

(1) It would be nearly impossible to overestimate the gravity of the problems with which our next Ambassador to Manila must deal. It has become common-place for people knowledgeable on the Philippines to predict a vast social upheaval in the near future. There is widespread talk that the current president will be the last popularly elected Philippine chief executive. Many high-level American officials consider the Philippines to be the most serious and the most bleak threat that we face in Asia. It is absolutely essential that we have a Chief of Mission in Manila who can come to grips with the problem.

(2) The Philippine Republic is stagnant. There is practically no increase in the per capita GNP. The government has failed lamentably to come to grips with the problems in economic and social development. Both the government and the society are shot through with a pervasive and paralyzing corruption. There is a revived subversive Huk movement which is serious, though not yet critical. The Huks actually control much of Central Luzon, including the Clark Field area, and it is a fact that the Huk movement is being financed, in large part, by expenditures connected with the Clark Field complex. No Filipino President has ever

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. IV, Memos, 8/67–11/68. Secret. A copy was sent to William Jorden.

been reelected, which is a measure of dissatisfaction and frustration of the Filipino masses with government performance. The birth rate approaches 4% a year.

(3) Philippine/U.S. relations are still in a state of transition from colonial days. Although there is a strong residue of affection for the U.S. among the masses, ultranationalism is rampant in the elite. The U.S. and the American Embassy are the natural focus for ultranationalist suspicions and hostilities. The press, in particular, is dominated by the ultranationalists and has a very strong anti-American flavor. Regardless of who our Ambassador is and however properly he comports himself, he and his family will, beyond doubt, be subjected to vicious and personal press attacks. The position of the U.S. Ambassador in Manila is unique. He is part governor-general and part shipping boy. On the one hand the Philippines want to retain a special relationship with the United States. On the other hand, they bitterly resent their dependence upon us and any assertion by us of a special position. Our Ambassador in Manila is in the middle of this psychological cross-fire and gets hit from both sides.

#### *The Problem*

First and foremost, the Ambassador will need to be able to identify the levers of power in the Philippine system and to manipulate them effectively to help bring about economic and social movement. He must be a man who understands the development process. It will be essential that he work effectively in helping President Marcos straighten out the Philippine public sector. Tax collections, smuggling control, and some minimum level of efficiency and honesty in the Philippine bureaucracy are exigent problems in the Philippines.

The United States has three major bases (Clark Air Force Base, Subic Bay Naval Base, and Sangley Point Naval Base), and a number of smaller or leased installations. Although our Base Rights run for 24 more years (under a 1966 agreement) it is by no means inconceivable that the Filipino nationalists will put pressure on our use of the bases. The bases are central to our operations in Viet Nam and our longer range military effectiveness in Southeast Asia. The style with which our Base Rights are exercised now may determine our long-run access to these installations.

The future of U.S./Philippine trade relations, the status of the American business community in the Philippines, and the future for American investments in the Philippines will all be determined in negotiation which will begin this fall. The negotiation looks to the replacement of the Laurel-Langley Agreement, which has, since independence, regulated U.S./Philippine economic relations.

In the immediate future, the U.S. will undoubtedly be pressing for a larger Philippine contribution to the Viet Nam war, an issue of the

greatest political sensitivity in the Philippines because of the activities of the ultranationalists.

Politically, the Philippines is a cesspool, and the Ambassador must be capable not only of surviving in a poisonous atmosphere but of working in it effectively, for his major weapon will be his influence on Philippine President Marcos, and Marcos is a completely political being.

In the Philippines, power is concentrated in the presidency to a remarkable extent. Our Ambassador carries on most of the important business directly with the President. The ability to develop a close official and personal relationship with the President is essential. Marcos is the Philippines' most decorated war hero. He is an accomplished golfer (a 7 handicap). Mrs. Marcos is very powerful in the Administration. She has a strongly extroverted personality and makes no bones about enjoying gay and festive occasions, including dancing parties that go on until dawn. There is, in addition, a general Philippine fondness for banter and horseplay and our Ambassador will be expected to join in this atmosphere with evident enjoyment. Extensive travel throughout the Philippines is an important part of our Ambassador's duties, and is physically demanding, among other reasons, because Philippine hospitality on these occasions has, as an invariable concomitant, subsequent stomach disorders.

The American community in the Philippines is large. American private investment runs at \$550 million, and there is a big American business community in Manila. There are about 40,000 American military personnel in the Philippines and probably as many dependents. *[less than 1 line of source text not declassified]* a Peace Corps of 700 volunteers and substantial USIS and AID missions. The Ambassador will, therefore, need to be a man with considerable executive talent.

The Ambassador will need to know Asia. The main thrust of Philippine nationalism is to carve out a place for the Philippines in Asia. Filipino membership in SEATO, its role in Viet Nam, its participation in Asian regionalism, and its relations with its Asian neighbors are essential elements in Manila's policy. One who doesn't understand Asia can easily be trapped by history and superficialities into thinking of the Philippines as somehow less than completely Asian. But there can be no health in the U.S./Philippine relationship unless it is based on a mutual acceptance of the Philippines as an Asian state rather than an American protégé. One who understands Asia will know this in his bones. One who does not understand Asia could easily destroy his utility in Manila before he learns it.

In short, the U.S. needs a paragon in Manila. He must be an adept politician. He must thoroughly understand the development process and be able to advise President Marcos in his efforts to revivify the Philippine public sector. He will have to work with a substantial U.S.

military community in harmony. He will need to understand the problems of business and to deal with an influential American business community. He will preside over an impressive official U.S. community and will need to be a person of executive talent. He will need a substantial amount of personal charm to operate effectively in the Filipino atmosphere. He will need to be impervious to unfair and sometimes vicious press attacks, both of a personal and political nature. Most of all, he will need to be extremely tough-minded in grappling with a whole series of problems, which no one has been able to deal with effectively yet, but on which progress must now be made without delay as a matter of high national policy. He will need the sensitivity of a chihuahua, the stamina of a Great Dane, and the skin of a rhinoceros.

**Marshall**

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**354. Memorandum From Marshall Wright of the National Security Council Staff to William J. Jorden of the National Security Council Staff<sup>1</sup>**

Washington, August 22, 1967.

**SUBJECT**

Something's Wrong in Manila

A weather change seems to have set in in our relations with the Philippines, or, more precisely, our relations with President Marcos.

The tone of Marcos' reply to President Johnson's letter of August 17 is stiff and unforthcoming.<sup>2</sup> That is, however, only the latest of several places of evidence of strain in our relations with Marcos:

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. IV, Memos, 8/67–11/68. Secret. Jorden passed this memorandum to President Johnson on August 24, 7:30 p.m. In his covering memorandum to the President, August 24, Jorden described Wright as "the very able officer who has replaced Don Ropa on our Staff." Jorden told the President, "I heartily agree that something is souring our dealings with Marcos—and that we should find out what it is. I will be working on this." There is an indication on Jorden's memorandum that the President saw it. (Ibid.)

<sup>2</sup> The August 21 Marcos letter and the August 17 Johnson letter are *ibid.*, Special Head of State Correspondence, Marcos Correspondence.

—Marcos is considering the appointment of J.V. Cruz as his Press Secretary and Blas Ople as his Secretary of Labor. Both are so notoriously anti-American that their consideration by Marcos is difficult to understand.

—Recently, Marcos indicated a reluctance to announce our agreement to provide equipment for 5 more engineering construction battalions. This is a complete turnabout on his part and his explanation of it is unconvincing.

—Marcos was adamantly uncooperative on the Clifford-Taylor visit, which simply would not have caused him as much political difficulty as he pretends.

It seems to me evident that something is going on in Manila or in Marcos' own mind which we do not understand. Whatever it is, it is already creating substantial problems for us. I have talked to the people in State about this and they are hoping that Bill Blair's imminent return to Manila will precipitate an Embassy assessment of the difficulty. Blair, however, is somewhat crippled by a lameduck status.

I hope that there will not be too much delay in naming and getting to Manila a new ambassador. I think we need one even more than we had realized earlier.

**Marshall**

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**355. Memorandum From Marshall Wright of the National Security Council Staff to the President's Special Assistant (Rostow)<sup>1</sup>**

Washington, September 5, 1967.

**SUBJECT**

The Philippines

You will remember our recent memo to the President, "Something's Wrong in the Philippines."<sup>2</sup> We asked Embassy, Manila for their interpretation of Marcos' current behavior and the attached airgram<sup>3</sup> is their answer.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. IV, Memos, 8/67-11/68. Secret.

<sup>2</sup> Document 354.

<sup>3</sup> Airgram A-127 from Manila, August 27; not printed.



I do not find it very helpful. Basically, they are saying that Marcos is worrying about his political image and is therefore being stand-offish with us. But he is more concerned with the Presidential election two years hence than he is with the imminent congressional elections. If he is coming to believe that his good relationship with us is a political liability, that is a very worrisome thing, indeed, and has implications that run far beyond November.

The airgram says that Marcos thinks he can use the left-wingers and ultra-nationalists by keeping them close to him. Perhaps. But he certainly knows that he cannot keep them close to him unless there are changes in his relations with us. If, therefore, he is considering a move to the left in domestic politics, he is considering a new tone, and perhaps a new substance in his relations with the U.S.

This airgram simply serves to strengthen my belief that there is some urgency in getting a new ambassador to Manila.

**Marshall**

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### 356. Editorial Note

President Johnson, Vice President Humphrey and four advisers (Lawrence O'Brien, Harold "Barefoot" Sanders, Joseph Califano, and Michael Mantoes) met with the Democratic Congressional leadership for a breakfast meeting lasting from 8:36 to 9:35 a.m. on September 19, 1967. The discussion related primarily to domestic legislation and politics. At the beginning of the meeting, Senator Mike Mansfield reported on his recent Asian trip and stated that "the Philippines are on the upgrade. They are doing a good job. They expect to get control of the Senate and Marcos is doing a good job." Speaker of the House Carl Albert asked Mansfield about "Huk activity in the Philippines." Mansfield responded, "there is not much." Vice President Humphrey then asked if Marcos talked to Mansfield about civic action groups and engineer battalions. Mansfield replied, "yes, but most of the time was spent talking about rice, production, graft, corruption, and cleaning up the local situation." The President remarked that he was "glad to hear that Marcos was friendly, because he had heard bad reports." (Memorandum from Jones to Johnson, September 19; Johnson Library, Meeting Notes File, Sept. 19, 1967 Congressional Leadership Meeting)

**357. Note From the President's Special Assistant (Rostow) to President Johnson<sup>1</sup>**

Washington, October 24, 1967, 3:55 p.m.

Mr. President:

Herewith:

1. Marcos complains to Locke,<sup>2</sup> claiming we equipped only two rather than five engineer battalions.

2. Bill Jorden puts the matter in perspective and advises that no hasty action required.

I am having the matter looked into carefully.

Since your conversation with him is involved, I thought you'd wish to know about it right away.

**Walt**

**Attachment A****FOR THE PRESIDENT****TEXT OF CABLE FROM AMBASSADOR LOCKE (Manila 464)<sup>3</sup>**

In a private conversation with Philippine President Marcos, he said to me:

A. When he was promised in the U.S. equipment for five engineering battalions then, and probably five later, this was intended to mean new battalions and was not to include the three battalions which had previously been equipped by the U.S. This was made clear in private conversation between him and you.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Vietnam, 5 (D) (1), Allies Troops Commitments, 3/67-1/69. Secret.

<sup>2</sup> Marcos invited Deputy Ambassador to Vietnam Eugene Locke to visit the Philippines and discuss with him Philippine aid to Vietnam. (Telegram 8420 from Saigon, October 13; National Archives and Records Administration, RG 59, Central Files 1967-69, POL PHIL-US) The Department suggested that Locke use his visit to encourage Marcos to think about what more the Philippines could do in Vietnam, most usefully another Philippine Civic Action Group (PHILCAG). Locke should encourage Marcos to support "really practical and useful" projects rather than ineffective "grandiose schemes." (Telegram 54265 to Saigon, October 14; *ibid.*)

<sup>3</sup> Telegram 464 from Manila, October 24 (Secret; Priority), [*text not declassified*]. The telegram as received in the White House before it was retyped for the President is in the Johnson Library, National Security File, Country File, Vietnam, 5 (D) (1), Allies Troop Commitments, 3/67-1/69.

B. Later the U.S. Government took the position that the first five battalions to be equipped included the three previously equipped so that new equipment for only two, not five, was secured.

C. He has been embarrassed by this but has "covered up" publicly, indicating the U.S. has furnished the equipment. When Speaker Laurel assailed the U.S. in Assembly, claiming Philippines "short-changed," Marcos told him to stop his criticism, that perhaps equipment was not then available.

D. He feels you are not aware of the situation and that misunderstanding developed at other levels. He has considered writing you a personal letter, but preferred for me to get word to you. He wants to know what happened.

I told President Marcos I had no information about the matter, but would try to find out.

I discussed the history of the first five battalions with U.S. Chargé d'Affaires in Manila, Jim Wilson. He said:

A. At the time of the agreement there were three U.S. equipped engineering battalions in the Philippines. These were not "engineering construction" battalions, which take far more heavy equipment than plain "engineering" battalions.

B. Our Joint U.S. Military Assistance Group Chief and Philippine Chief of Staff had gone over equipment lists prior to your meeting with Marcos and had agreed on what was necessary for five "engineering construction" battalions. This was furnished in full, but the equipment furnished consisted of a) full equipment for two new battalions; b) construction equipment necessary to convert the three plain engineering battalions into three engineering construction battalions.

C. So far as Wilson knows, the agreement with respect to the first 5 battalions as then understood by Philippine military chiefs, was an agreement to furnish 2 completely new construction engineering battalions and to upgrade the 3 existing plain engineering battalions to construction engineering battalions. Ambassador Blair had explained all this some months ago to Ambassador Romualdez, President Marcos' brother-in-law, but the Embassy cannot be sure whether or not Romualdez in fact explained it in full to President Marcos, although, subsequently, Marcos had stated publicly he was satisfied that the commitment had been met.

It may be that President Marcos mistakenly believes that the original 3 battalions remained the same and that he only received equipment for 2 new battalions. Or it may be he recognizes the facts, but believes the agreement was to leave the 3 original battalions as plain engineering battalions and to fully equip 5 new and additional construction engi-

neering battalions. He did not mention any difference between plain engineering battalions and construction engineering battalions and I doubt that he recognizes that these distinctions figured in the arrangement. I believe he feels simply that he started with 3 equipped battalions, that he was to get 5 more, which makes 8, and that he ended with 5 and was therefore "short-changed".

I believe President Marcos resents what he believes was a failure of the U.S. to live up to an agreement he thinks he made personally with you. I believe we should correct the mistake if one has been made, or explain the fact to President Marcos personally if his understanding is wrong. I am sure President Marcos expects me to take this up personally and directly with you and it is possible that no one in his own government knows he spoke to me about this, as he did so privately, even though numerous of his Cabinet Ministers and U.S. Chargé Wilson were waiting in an adjoining room presumably to discuss other matters with him and me.

President Marcos also discussed several other matters with me which are covered in detail in Manila 3760.<sup>4</sup> The most important was the sending of additional help to Vietnam. The President will introduce the new appropriation for PHILCAG after the elections are over. He will also give additional help. He cannot politically send troops, and I told him I was sure we could not pay for an Operation Brotherhood in Vietnam, which was his choice (additional to, not in place of, PHILCAG). I believe we can get one, or perhaps even more, Army engineering battalions (which General Westmoreland prefers to another PHILCAG), for which he will seek appropriations in the Assembly, if we build for him some roads in the Clark Field area which could, in his opinion, be justified by military considerations. He believes the roads would benefit Clark Field and also increase mobility in the Huk Territory. Foreign Secretary Ramos is coming to Vietnam on the 29th, at which time I hope to have detailed discussions between him and General Westmoreland on the nuts and bolts of the battalions we want and the roads he wants.<sup>5</sup> Embassy Manila is informed and agreeable to this meeting. I, of course, have not committed U.S. Government in any way.

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<sup>4</sup> See Document 358.

<sup>5</sup> A report of this meeting between Ramos and Westmoreland is in telegram 9951 from Saigon, October 30. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL PHIL-US)

**Attachment B****FOR WALT ROSTOW****TEXT OF CABLE FROM WILLIAM JORDEN (Manila 465)<sup>6</sup>**

You will be receiving promptly a message from Ambassador Locke to the President regarding “misunderstanding” about equipment for Philippine army construction battalions. Think you will wish to reassure President that this matter not as critical as might seem at first blush.

Marcos talked with me about same matter. I assured him that I would look into it on return to Washington but I thought there had been no reference to “new” battalions. President Johnson had said we would supply equipment for five battalions this year and would consider doing same for five next year. We had done both. Marcos seemed fully satisfied that we would check in good faith and did not push question. Certainly there is no “misunderstanding” on part of Americans or Filipinos who worked out details of the equipment deal. In my opinion, President Marcos is (1) looking for excuse for not doing more for us in Vietnam; (2) on edge because of rough political campaign underway here; (3) possibly feeling us out on whether equipment for another three battalions may not be in the cards. Assure you this is not of such urgency that it cannot wait until my return. President said he wanted to see me again before departure and if that works out I will do all possible to reassure him as to facts.

You will of course wish to ascertain whether our President’s recollection of this agrees with Marcos concept which might have developed in private talk. But ensuing negotiations between Filipinos and U.S. strongly supports view that understanding was as described above.

Separate message from Locke through State channel describes other aspects of his talk with Marcos.

He is right: Combat troops probably not politically possible—except as element of U.S. forces and that has obvious drawbacks. On basis of “volunteers” for U.S. forces we could probably get two divisions, but that has “mercenary” flavor and other deficiencies.

If we play our cards right, another Philippine Civic Action Group or engineering battalion is possible. In my opinion, Marcos would accept some compromise that would recognize his political problems and our common needs.

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<sup>6</sup> Telegram 465 from Manila, October 24 (Secret; Eyes Only), [text not declassified]. The telegram as received in the White House before it was retyped for the President is in the Johnson Library, National Security File, Country File, Vietnam, 5 (D) (1), Allies Troop Commitments, 3/67–1/69.

He badly needs some kind of regular briefing on situation in Vietnam—including growing evidence of problems on the other side. Jim Wilson agrees this would be desirable and hope something can be worked out with Ambassador Bunker and Westmoreland. A monthly visit to Manila by Military Assistance Command, Vietnam, J-2 would be valuable, with possible occasional visit by Westmoreland.

Regarding reference discussions with Secretary Ramos on this matter (paragraph 5 of cable to State),<sup>7</sup> this is not the best way to approach matter. Any serious talk about this should be done in Manila or Washington, preferably former. We will get nowhere on this unless it is with Marcos and his Defense Department.

Talk of U.S. construction contractors is a non-starter, road building is one thing Filipinos are doing very well on their own.

Take paragraph on Huks with a grain of salt. There are other reasons for not cracking down.

I have been operating on assumption that full report on my return on experiences here and Vietnam and observations thereon was preferred course. If you wish fuller report on these matters earlier, please inform. This has been damn profitable trip. Regards.

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<sup>7</sup> See footnote 5 above.

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### **358. Telegram From the Ambassador to the Philippines to President Johnson<sup>1</sup>**

Manila, October 24, 1967.

FOR THE PRESIDENT FROM AMBASSADOR LOCKE  
(Manila 3760)

I had an over 2-hour private talk with Philippine President Marcos on Sunday, October 22. No one else was present.

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Vietnam, 5 D (2), Allies Troop Commitments and Other Aid, 1967-69. Secret. The source text is the text of telegram 3760 from Manila that was retyped for the President. There is an indication on the transmittal memorandum from Rostow to the President that the President saw this telegram.

President Marcos intends to secure an appropriation for existing Philippine Civic Action Group replacement after the impending elections.

With respect to Vietnam, help from the Philippines, in addition to existing Philippine Civic Action Group:

A. President Marcos said combat troops are not politically possible.

B. President Marcos suggested an "Operation Brotherhood" similar to the Laos Operation as an addition to the existing Philippine Civic Action Group. He did not mention the De Venecia Proposals.<sup>2</sup>

C. I indicated this is not feasible because: (1) It does not fulfill the U.S. need for further troop participation from Asian countries; (2) It is a civilian-aid type project, which would require the cooperation, approval and greater involvement of the Government of Vietnam; and (3) It is an AID-financed project, and AID is having trouble financing our own projects in Vietnam without taking on anything new.

D. The most likely projects appeared to be: (1) Another Philippine Civic Action Group or (2) Army engineering battalions divorced from a civic action concept which could build roads, bridges, etc. Military Assistance Command in Vietnam would prefer a combat battalion to another Philippine Civic Action Group. Therefore, I pushed the idea of an engineering battalion to guard, build, maintain roads, etc., but did not use word "combat" to describe battalion. This strategy is a product of a long briefing session with Embassy Manila the previous night, it being thought the word "combat" might kill the idea before it started. I made it clear we wanted an "army" battalion.

E. Marcos would not have money to finance, and would not want us to finance directly because of possible charges of our hiring "mercenaries." He thought it might be possible if we financed indirectly by financing work in the Philippines which otherwise he would have to finance.

F. Marcos said he would study the matter. I made it plain I could not commit the U.S. and that our discussion was only an attempt to find possible solutions for our mutual problems that were at least worthy of his study and of my submission to Washington.

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<sup>2</sup> Jose de Venecia, Minister of the Philippines Embassy in Vietnam, proposed the establishment of a private Philippine corporation employing Filipino technicians to carry out rural reconstruction and refugee settlement work, the establishment of a Philippine manned helicopter squadron, and Philippine and other third country pilots flying F-5 aircraft in combat in Vietnam. (Memorandum from Chadbourn to Bundy, October 18; National Archives and Records Administration, RG 59, EA/VN Files: Lot 75 D 334, Free World Assistance—Philippines)

The following morning I had a discussion with Secretary Ramos and De Venecia. Ramos and Secretary of Defense Mata had a talk with President Marcos at length after I left. Secretary Ramos said:

A. The President is agreeable, in principle, to the army engineering battalion concept and also to sending engineering specialists as "observers."

B. The President is prepared to seek an appropriation for this purpose if we will build certain roads near Clark Field.

Ramos said these would have the military value of (1) speeding up traffic between Clark Field and Manila; (2) extending roads into Huk territory, thus helping the government deal with the Huks. Ramos mentioned a diversionary road north of Clark to relieve traffic. Marcos had mentioned the Clark to Subic Bay route.

Secretary Ramos will be in Saigon for the Thieu inauguration. He will come armed with maps and details of roads. I will have General Westmoreland come up with the nuts and bolts of the desired battalions. The plan is for General Westmoreland, or perhaps his appropriate staff man, Ramos, and me to discuss the details and costs October 29 in Saigon.<sup>3</sup> I discussed this with Embassy Manila which was agreeable. If the matter proceeds to the proper point, discussions will then naturally shift to Embassy Manila and to various appropriate Philippine officials after the elections. Ramos is informed I cannot make a commitment and the present stage is one of discussion only.

Other matters discussed by Marcos were:

A. A Japanese agreement to finance part of the projected new road system. The Japanese Prime Minister will send Japanese private contractors to Manila to negotiate construction contracts. Marcos did not mention an amount, but De Venecia had previously mentioned \$60,000,000 and this was confirmed by the newspapers.

B. The Marcos desire that United States contractors come to Manila to negotiate construction contracts for roads. He said he would guarantee them there would be no under-the-table payoffs, the fear of which he believes has prevented U.S. contractors from being interested in the past. (This statement he also made in front of a group of his Ministers and U.S. Chargé d'Affaires Wilson with whom he discussed some matters in my presence after our private talk.) I told him I would inform Washington of his desires. I was thinking the Department of Commerce might be interested. I also suggested that through the Philippine Bank or the Philippine Embassy in the U.S., he could probably get information on road contractors in the Federal Highway System and Dunn and Bradstreet reports on those interested. I surmise one of his interests

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<sup>3</sup> See footnote 5, Document 357.



in U.S. contractors is that they might make it easier to finance his road program. I understand U.S. contractors would have to take Philippine contractors as joint venturers and that the Philippine Bank guarantees might be available for highly qualified and reputable companies.

C. The Marcos desire that U.S. Armed Forces at Clark conduct a civil action program to help hamlets in the area. This is to be part of anti-Huk work and part of a program to improve the U.S. image, as "good work done" stories could be leaked to the press. He is thinking of help with farm roads, irrigation ditches, schools—small and scattered work—a completely U.S. program. (I understand from Embassy Manila such a program is now contemplated.)

D. Marcos said the Huks in the provinces are known and could be picked up but are connected with intellectuals in Manila whom he wished to identify first. The Huks are now supporting political candidates, and he is supporting the best candidates to oppose them without reference to party lines. Candidates deny a connection with the Huks or that they seek Huk support, and he has told them that if they get elected and help the Huks, he will clamp down. The Huks infiltrated guards at Clark, necessitating his using the constabulary to guard the base. Also some accommodation with lower army echelons, necessitating his change of army units in the area. Also some Huks have had M-16 weapons.

E. Discussion was held of the situation in Vietnam (I said progress is being made in all respects), of peace negotiations (I said no sign of change in attitude by Hanoi) of the importance of Vietnam to all Asia (he agreed, and said all Asian leaders agreed. He said even Sukarno had told him he was glad of the U.S. presence in Asia and that Sukarno claimed he was "using" the Communists). It is possible, if Washington thinks it useful, that he might be willing to start a movement toward negotiation for a limited purpose of prisoner exchange.

Before leaving Vietnam, I had discussed various proposals with the Military Assistance Command in Vietnam, Civil Operations for Revolutionary Development, and the Agency for International Development for Philippines help in technical and civilian fields. I did not discuss these with President Marcos because I did not want to confuse the engineering battalion issue. De Venecia thinks it important to have the civilian "mix" with the military aid. Probably this will come up when Secretary Ramos comes to Vietnam. I will send a separate message about this.

So far, there have been no press leaks. The President's lunch at the Palace was very small, and included U.S. Chargé Wilson and his wife. The only sizeable party (about 50) was given by Secretary and Mrs. Ramos and Mrs. Perez (widow of former House Speaker and mother-in-law of De Venecia) at Mrs. Perez' home. Presumably, only

friends of the government were invited and they were not necessarily told of the Presidential invitation.

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**359. Letter From the Chargé in the Philippines (Wilson) to the Assistant Secretary of State for East Asian and Pacific Affairs (Bundy)<sup>1</sup>**

Manila, October 26, 1967.

Dear Bill:

By now you will have had a chance to digest Eugene Locke's two messages, our 3760<sup>2</sup> and his back channel direct to the White House,<sup>3</sup> which I assume has been passed on to you, regarding Marcos' assertion that he was short changed on the original five ECB's. I trust that Bill Jorden's accompanying back channel to Walt Rostow<sup>4</sup> served its intended purpose of calming any immediate reactions at the highest levels at home.

The Locke messages do record, however, this rather extraordinary and curious play by Marcos; and some personal observations from here may be in order aside from any direct comment we send in on 3760—particularly since open comments on Locke's back channel message are a bit difficult under the circumstance.

First of all with respect to Marcos' ECB allegation, I find it very difficult to believe that Marcos in fact does not know the whole story on ECB numerology. To assert at this late date in the face of well documented past history that he was talking five (or ten) *new* battalions over and above his original three engineering battalions simply won't wash. There is a very remote chance, as he implied to Locke, that this came up in his private conversation with the President in September 1966 of which no one has a record. (This is the real reason Locke used that particular back channel to report it.) But I doubt seriously that anything in that detail would have been discussed.

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<sup>1</sup> Source: Department of State, Bundy Files: Lot 85 D 240, Ambassadors' Private Correspondence, 1967-1968. Secret; Official-Informal; Personal; Exdis.

<sup>2</sup> See Document 358.

<sup>3</sup> Attachment A to Document 357.

<sup>4</sup> Attachment B to Document 357.

Beyond this we have all sorts of evidence to indicate the contrary. I start with your own report of your February 1966 conversation with Marcos (Embtels 1792 and 1793 of February 26, 1966)<sup>5</sup> in which you made it plain Marcos was then talking *seven battalions in addition* to his existing three. This conforms exactly with the discussions going on then between us, Mata, Raquizo and others as set forth in the attached summary briefing paper we drew up here last June when the allegation was first made that we were short changing them.<sup>6</sup> You will note in particular the attached schedule of battalion activation utilizing the original three as cadre for a total of *ten* battalions. This formed an integral part of the May 18, 1966 agreement between JUSMAG and the DND. The summary briefing paper and the chart were given both to Kokoy Romualdez and to Salas to show to Marcos in June. We can only assume they did what they said they were going to, and Marcos certainly understood the situation last June.

This being the case I can only conclude that Marcos has chosen to use this rather elaborate method to bring to the President's attention through Locke that he really wants equipment for three more ECB's as part of the asking price for any augmentation of Phil forces in Vietnam, the other elements—as of now—being the Subic–Clark road, the Clark by-pass road and a right of way through Clark for the latter.

With respect to Subic–Clark we are trying to dig out more background but believe this harks back to the Pablo Roman scheme of several years ago (participated in then by our friend De Venecia) which was abandoned when our military decided to build the Clark–Subic pipeline. The other road, as proposed by Melchor, the Pentagon is now presumably looking at. The Clark right of way they probably want under any circumstances and may thus be a separable element in the package.

No one of course in the absence of actual feasibility studies has any real idea of the price tag on either of the roads. Even Melchor's figure seems to be only a wild guess. The U.S. contractor bit, I suspect, is simply thrown in as a sweetening ploy to make it look as if they were concerned with our dollar outflow problem and to suggest indirectly the possibility of EX-IM or AID financing. It seems from a practical standpoint to be a non-starter. What they would undoubtedly like is something approaching the arrangements they have probably heard of in Northeast Thailand, where DOD picks up the tab on certain roads on the basis of U.S. military requirements. Beyond this and as successive fall off positions I imagine they would like us to pick up at least dollar

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<sup>5</sup> Both dated February 26. (National Archives and Records Administration, RG 59, Central Files 1967–69, POL 27–3 VIET S)

<sup>6</sup> Not attached and not found.

costs on whatever roads might be eventually agreed upon as part of the quid pro quo arrangement.

All this being said, I am still trying to analyze why Marcos chose this particular means to surface his proposals. The De Venecia proposals clearly were nothing more than a cover for Marcos' own independent move. (All the cabinet members who sat around with me while Marcos talked to Locke in the next room were armed incidentally with De Venecia's 30 page briefing book covering his projects, none of which were even mentioned.) The methodology is of course typical of Marcos, but why he went to such lengths on this including the elaborate hospitality showered on the Lockes remains something of a puzzle.

One guess is that he harbors some idea that Locke might be the next Ambassador here (Kokoy mentioned this possibility to Rafferty) and wanted to look him over. Or Marcos might be using this to signal the idea that he would prefer to do business with a new Ambassador who is close to the throne at home<sup>7</sup> in order to continue the same sort of personal diplomacy he tried with Kokoy in Washington. It's even possible he had in his mind a bit of a reverse nudge in terms of having us look over Elizalde to see if he would have the same kind of personal access to our President that he would like to see here.

This is of course only speculation, but with a fellow as complex as Marcos almost anything is possible. I doubt if he would go to all the trouble to getting Locke over here just to tell him about the ECB's, since he told Jorden the same thing the same day, and the rest of it could very easily have been handled with Bill Blair before he left, with me, or by private letter to the President. I need hardly add that from the standpoint of my own future relations here in the inter regnum I trust that the replies to all of these queries come back to Marcos through normal Embassy channels. We will of course keep in close touch with Saigon on any developments there, and I've also made it a point to keep Bill Jorden fully read into this here. He will undoubtedly be in touch with you on it shortly after he gets back.

All the best.

Sincerely,

Jim

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<sup>7</sup> Before Dallas lawyer Eugene Locke was Ambassador to Pakistan and then Deputy Ambassador to Vietnam, he was Chairman of the Texas Democratic Committee.

**360. Editorial Note**

On Saturday, November 4, 1967, at 2:20 p.m. President Johnson met with Secretaries Rusk and McNamara, Special Assistant Rostow, Director of Central Intelligence Helms, Press Secretary George Christian, and Special Assistant Jim Jones for a luncheon meeting. The lunch took place in the West Sitting Room of the White House. In the early part of the meeting, President Johnson asked if Eugene Locke could fill the post of Ambassador to the Philippines (Ambassador Blair had left on October 24). The President expressed worry about the Philippines, stating, "I feel it in my bones that there is going to be a problem there." The President remarked that he trusted Locke, but perhaps he was too close to the President to be placed in the position of Ambassador to the Philippines. The remainder of the conversation, which lasted until 3:55 p.m., did not relate to the Philippines. (Memorandum from Jones to the President, November 4; Johnson Library, Meeting Notes File)

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**361. Memorandum Prepared for the 303 Committee**

Washington, November 20, 1967.

[Source: National Security Council, Special Group/303 Committee Files, Subject Files, Philippines. Secret; Eyes Only. 1 page of source text not declassified.]

**362. Intelligence Memorandum Prepared in the Central Intelligence Agency<sup>1</sup>**

No. 1679/67

Washington, December 7, 1967.

**PHILIPPINE PRESIDENT MARCOS' PROBLEMS AT MIDTERM****Summary**

*The recent electoral successes of his Nacionalista Party have left President Marcos in a strong political position after two years in office. Increased control at both national and provincial levels should enable him to make greater progress in his reform and development programs if he is so inclined.*

*The problems he faces are serious ones, however, involving the strains of rural poverty and urban unemployment, rising lawlessness, and growing pressures from an emerging generation alienated from the tradition of their parents and seeking a more distinct national identity. Marcos' willingness and ability to overcome the foot-dragging of a powerful conservative oligarchy and to satisfy some of the demands of increasing nationalism will have an important effect on his political future.*

**Marcos' Political Strength**

1. *After two years in office, President Fernando Marcos of the Philippines has shown remarkable political strength, as reflected in the success of his Nacionalista Party in the recent off-year elections.<sup>2</sup> Marcos campaigned vigorously for Nacionalista candidates for local and provincial positions, realizing that grass-roots support would be vital both in implementing his development programs and in marshalling support for his bid for re-election in 1969. His efforts were repaid when, according to unofficial returns, his party gained 48 out of 65 governorships and*

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. IV, Memos, 8/67-11/68 [2 of 2]. Secret; No Foreign Dissem. A note on the memorandum indicates that it was prepared by the Office of Current Intelligence and coordinated with the Office of National Estimates and Clandestine Services. Rostow sent this memorandum to the President on December 16. There is an indication of Rostow's transmittal note that the President saw it and the memorandum. This memorandum was distributed in a slightly more detailed version as a "Special Weekly Review," entitled "Philippine President Marcos at Midterm," SC No. 00801/67B, December 22. (Ibid.)

<sup>2</sup> INR prepared an Intelligence Note for Rusk on the election. Based on 90 percent of election returns, INR concluded that "the election was marred by violence, inefficiency, and large scale disenfranchisement. Nevertheless, it constituted a clear mandate for Marcos' 'rice, roads, and schools' program and is another step toward his goal of re-election in 1969." (Memorandum from Hughes to Rusk, Intelligence Note 931, November 22; National Archives and Records Administration, RG 59, Central Files 1967-69, POL 14 PHIL)

nearly three fourths of other provincial, municipal, and local offices in elections marred by violence, corruption, and inefficiency. In the Senate, whose members are elected at large, the Nacionalistas took six of the eight contested seats, and a pro-administration independent gained a seventh, leaving the opposition Liberals with just one Senate victory.

2. The glow of victory was somewhat dimmed by the outstanding showing of the Liberal senatorial candidate, Benigno Aquino, ex-governor of Tarlac Province and a vigorous opponent of Marcos, and by the re-election of Manila's Liberal mayor, Antonio Villegas, whose penchant for anti-American nationalism has often proved embarrassing to the administration. As Marcos had personally chosen and vigorously campaigned for Villegas' opponent, the mayor's victory was particularly galling.

3. *The elections have left Marcos with increased numerical support both in the provinces and in the legislature (the Senate now includes 15 Nacionalistas, seven Liberals, one Nationalist Citizens Party member, and one independent), which should put him in a better position to carry out the reforms and development programs the country so desperately needs. The highly centralized nature of the Philippine Government will facilitate the President's control over his provincial adherents. His ability to control the legislature, however, is less certain.* Philippine politicians have traditionally switched allegiance when they believed it was to their political advantage. The Liberals, for example, gained control of the Senate last January through the defection of four Nacionalista senators. Obligations incurred in the recent election, as well as attempts to ensure future backing for his re-election bid, may also diminish Marcos' enthusiasm for pushing through reform legislation, a subject which—in any case—is not popular with the generally conservative oligarchy that controls Philippines politics. Marcos' primary goal, above all else, is to be the first Philippine president to be re-elected, and he can be expected to make any political compromises to achieve this end.

#### *The Nation's Problems*

4. *Marcos is still faced with the myriad of troubles that beset the country when he was elected and has so far accomplished rather little in resolving them. A vast and growing gap exists between the wealth of the few and the poverty of the many.* The peasant farmer's subsistence-level existence has been perpetuated by backward agricultural methods, inadequate irrigation, and high loss from uncontrolled pests, particularly in the important rice-growing areas. Initiative for improvements has been discouraged by a feudalistic system of land tenure and by a traditional suspicion of innovation. Progress in land reform and rural development has been generally slow, hampered both by bureaucratic inefficiency and by the interference of landlords who are powerful supporters of both major parties.

5. Because of unsatisfactory standards of living in rural areas, migration to urban areas, especially Manila, has expanded rapidly in recent years. The rapidly growing urban populations have intensified pressures on municipal facilities and services, which are unable to keep pace with the expanding slums. Even though a growing economy is providing increased opportunities, it has not kept pace with a rapidly increasing population. Serious unemployment and more widespread under-employment have resulted. Despite this vast reserve of labor, the demand for skilled manpower to meet growing industrial needs cannot be met. Government neglect in providing training schools or in encouraging technical education has only recently been recognized, and manpower planning and technical training programs have begun to receive attention.

6. *Efforts to institute the necessary reforms have been undercut by corruption, inefficiency, and nepotism in the political structure.* Public office continues to be used to further personal or family fortunes. An official dispenses jobs and favors, not in the public interest, but to satisfy obligations to those people tied to him through the complex familial or patronal relationships that characterize Philippine society. Marcos, himself, is partly responsible for the continuing inefficiency by his desire to maintain tight personal control over the government's activities and his reluctance to entrust even minor decision-making to subordinates. His veto of the decentralization bill, which would have allowed much-needed flexibility and initiative at the local level, was a reflection of this need to control the game.

#### *Marcos' Attack on the Problems*

7. *Marcos' initial program to initiate development, fight lawlessness, and suppress smuggling and corruption met with only limited success. Perhaps having lost some of his taste for jousting with the powerful figures involved, he has narrowed his efforts to emphasize "rice, roads, and schools" as the major goals of his administration.* The Philippines' need to import five to ten percent of its rice requirements each year has been a serious drain on foreign exchange. Marcos' goal of achieving self-sufficiency in rice will hopefully be fulfilled by 1970 by means of an intensive program to introduce the improved strain of rice, IR-8. With the receipt of US equipment for five additional army engineering construction battalions, bringing the total army engineering strength to eight battalions, the government launched a vigorous road construction program, which by last June had completed some 700 kilometers of new roadway. The school building project has also received considerable US assistance through the Special Fund for Education and is progressing "satisfactorily."

8. *Central Luzon has been a special target for the government's development efforts. Operation Central Luzon (later called the Central Luzon*



*Development Program*) was launched to undercut the growing influence of the pro-Communist Huks in this traditionally depressed area. There is no indication that any serious impact has been made on the poverty and injustices of life there, although increased rice production may stimulate some improvement, and the power of the Huks has not been curbed.

### *The Role of the Huks<sup>3</sup>*

9. *Huk influence is sustained in part by the collaboration of local officials and politicians who recognize the Huk ability to control the vote, in great part through intimidation. To some extent, the Huks have also been able to project a Robin Hood image among peasants disgruntled over bad government and impoverishment.* The recent elections served to stimulate their activities and probably helped to solidify their position. The estimated number of armed Huks is still a relatively modest 140. However, these are supported by up to 30,000 sympathizers. Insurgent operations continue to center on the provinces of Tarlac and Pampanga, and reported efforts to expand to other areas have apparently been unsuccessful.

10. *Marcos has vacillated between a harsh line against the insurgents and vague gestures of amnesty.* The President's support of the constabulary's efforts against the Huks has been inconsistent, but just prior to the recent election he encouraged the constabulary to intensify its effort. Several Huk leaders were either captured or killed, but these successes may result in Huk reprisals. Particularly distressing has been the evidence of M-16 rifles in Huk possession. It remains to be seen how long Marcos will sustain the pressure, but his electoral successes and a recent, particularly daring Huk ambush are reported to have prompted him to order the constabulary to redouble its efforts.

11. *Little is known of the strength of Communist ideology in the present Huk movement, but their ties with the urban-based remnants of the Communist Party (PKP) appear tenuous.* Although there have been meetings between the urban leftist leaders and the Huk commanders, the pro-Communist urban fronts have also made attempts to develop a rural following independent of the Huks, most notably through the peasant front, the Masaka (Free Farmers Association). The growth of this organization, still in its incipient stages, might ultimately provide a better

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<sup>3</sup> INR prepared Intelligence Notes for Rusk on the Huks/Peoples Liberation Army at the midterm election. In Note 830, October 18, INR suggested that Marcos would not move militarily against the Huks until after the presidential elections of 1969 or even the off-year elections of 1971 because he needed their political support at the local level in Central Luzon. (Ibid., POL 23–7 PHIL) In Note 850, October 26, INR analyzed Huk political power in central and western Luzon and concluded that by running its own candidates in most races it would prove the difference between defeat or victory. INR suggested that Huk political influence would grow after the elections. (Ibid., POL 14 PHIL)

indication than the Huks of the Communists' ability to exploit rural poverty and unrest. *These urban fronts, however, are themselves in a weakened and divided stage.* Continually splintering into overlapping or competing groups, they presently are engaged in an internal struggle between the older, pro-Soviet cadre and the younger, Peking-oriented radicals. Lacking discipline, forceful leadership, and funds, they represent no current threat to the government.

### *The Radical Nationalists*

12. *A more serious problem is the pressure from the radical nationalists, particularly in the younger generation, who seek to cultivate a more Asian identity and resent any overtones of American domination—political, economic, or cultural.* These younger Filipinos, who make up an increasing percentage of the electorate, do not share the sentimental ties to the US that many of their parents still have and are resentful of any indication of what they believe to be American paternalism or privileges. Marcos' apparent lack of interest in establishing support with this group has been puzzling. Despite his obvious political nerve, he has neither seriously attempted to bid for their support nor tried to channel their excessive national pride into useful directions. When Marcos has dealt with the young radical intellectuals at all, it has been in indirect attempts to undercut their activities.

13. *US military bases and economic relations are the usual targets of nationalistic frustrations; the government's actions occasionally reflect its sensitivity to these pressures.* Most Philippine leaders readily acknowledge the necessity of the American bases and their importance to Philippine security, but the desire to be accepted in the Asian community and a sensitivity to charges of American dominance cause underlying tensions which occasionally erupt. Sporadic assertions of sovereignty take the form of disputes over jurisdictional rights, labor, natural resources, or the administration of customs, immigration, and health regulations on bases.

14. *Economic nationalism has been manifested primarily in the persistent attacks on the Laurel–Langley agreement, viewed by the radical nationalists as economic imperialism.* Preliminary talks regarding future arrangements after the agreement expires in 1974 have already shown the Philippine desire for a protected position in the American market but an unwillingness to allow reciprocal preferences. Marcos has always been aware of the Philippines' need for foreign investment and has sought to attract it, but he has also been periodically stymied by the maneuverings of the nationalists, as during Mayor Villegas' attack earlier this year on American retail trade in the Manila area. As presidential elections loom on the horizon, Marcos may find it politically expedient to take a harsher line toward future economic ties.

*Foreign Associations*

15. Marcos has often shown a sensitivity to criticism of too close an association with the US. He has justified his support for the American position in Vietnam and for the Philippine contribution to the war effort by citing the resulting American aid for his domestic development programs. In his desire to establish his identity as an Asian statesman, independent of American control, he has attempted to initiate peace proposals that have only served to arouse the annoyance and mistrust of his Asian allies. This striving for an independent image has also involved a growing interest in developing trade and cultural ties with Eastern Europe, but the government has been cautious in pursuing them. Prominent Filipinos have visited bloc countries in increasing numbers, though without official recognition. China, however, is still viewed with great alarm, and contact has been very limited. Marcos continues to regard the American presence in Asia as absolutely vital, but publicly acknowledges this less frequently.

*Prospects*

16. In general, the Philippines situation reflects the inability of a rural, agricultural economy, feudalistically structured, to support a rapidly expanding population, and the failure of a slowly expanding industrial sector to meet job requirements for increasing urban masses. The problem facing any Philippine government is, in some way, to persuade or manipulate the conservative elite to accept the political and economic reforms necessary to stimulate the economy. Unless the peasant farmer and the urban slum dweller are persuaded that the present system can respond to their needs, their growing apathy could in time turn to rebellion. As the post-war generation becomes more prominent on the scene, the government must also respond to growing nationalist pressures, which will probably involve loosening traditional ties with the US in the search for a distinctive identity.

**363. Intelligence Note From the Director of the Bureau of Intelligence and Research (Hughes) to Secretary of State Rusk<sup>1</sup>**

No. 223

Washington, March 26, 1968.

**SUBJECT**

Malaysian Reaction to the Disclosure of Philippine Plans to Subvert Sabah

Malaysia, long aware through its own intelligence service, of the Philippine clandestine training program for subversion in Sabah, has been prompted to formal diplomatic protest by the public disclosure of the training camp at Corregidor.<sup>2</sup> Although incensed by Philippine behavior, Kuala Lumpur continues to hope that Manila's response will permit the maintenance of diplomatic relations.<sup>3</sup>

*Malaysian Efforts to Kill the Philippine Plan.* The Malaysian government has known since May 1967 through its own intelligence service that the Philippines was involved in preparing a program for infiltration and subversion in Sabah in support of the Philippine claim there. Early in December, Malaysia learned that Philippine guerrillas were being trained in the southern Philippines. While top Malaysian officials were incensed that an ostensibly friendly country and a fellow member of the recently created Association of Southeast Asian Nations would plot to subvert a part of their territory, they were confident that their own security forces could repel any Philippine subversion effort and that the political situation in Sabah was not susceptible to Philippine influence. The Malaysians hoped that, by quietly making known their awareness of the Philippine plans, they could persuade the Philippine government to drop the project, thus preventing any rupture in Philippine-Malaysian relations.

*Malaysia's Formal Protest to the Philippines.* The unexpected revelation of the secret Philippine training program at Corregidor, which was given wide publicity in the Philippines and Malaysia coincident with the arrest of twenty armed Filipinos attempting to enter Sabah illegally, persuaded the Malaysian government that it must take formal if low-key notice of the Philippine program. On March 23, accordingly, a

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 23-7 MALAYSIA. Secret; No Foreign Dissem.

<sup>2</sup> In Intelligence Note 226, March 27, Hughes informed Rusk in more detail about the Corregidor Clandestine Camp. (Ibid., DEF 6-5 PHIL)

<sup>3</sup> The Philippine claim to Sabah, pending since 1962, was an irritant to Malaysian-Philippines relations even after the Philippines recognized Malaysia in 1966. In 1963, under the Maphilindo agreement, the Philippines and Malaysia were committed to resolving the dispute by peaceful means. (Intelligence Note 27 from Hughes to Rusk, January 10; ibid., POL 32-1 MALAYSIA-PHIL)

protest note was handed to the second secretary of the Philippine Embassy by a medium level official. The note stated that Malaysia took the news of the Corregidor camp "most seriously in view of the recent arrest of more than twenty Filipinos with arms . . . who were unable to explain their presence in Sabah." Malaysia would have "no alternative but to regard such activities as a most serious breach of good faith and friendly relations" and requested "a full explanation." The Malaysian note also said that Malaysia had instructed its representative at the UN to bring the matter to the attention of the Secretary General.

Malaysia was not reassured by Philippine reaction to its note, even though Foreign Secretary Ramos told the Malaysian Ambassador that the Philippines was "not trying to instigate a revolt in Sabah" and that the Philippines would answer the Malaysian note soon "in a friendly, moderate tone." It was clear that the Philippines was annoyed that the Malaysians were reporting to the UN Secretary General. One Philippine diplomat called this action "presumptuous" and said Malaysia was elevating the issue unnecessarily. The Malaysians were further disturbed when Marcos and Ramos insisted that the Corregidor training camp had been established for counterinsurgency training following reports of communist activities in Mindanao and the Sulus and when Manila in its secret reply to Malaysia's note accused the Malaysians of infiltrating the Philippines from Sabah. On March 25, the Malaysians issued a statement demanding that, in the interests of friendly relations between the two countries, the results of both President Marcos' and the Philippine Congress' investigations of the Corregidor training program be made public and describe the objectives of the training.

*Prospects for Philippine-Malaysian Relations.* The Malaysian government hopes that, having presented its low-key formal protest to Manila, no further diplomatic action on its part will be necessary and that it will not be pushed toward a break in diplomatic relations. Its ability to maintain this policy depends, however, on the Philippine diplomatic response, on Malaysian press and public reactions to the further revelations that may result from the official investigations of the training program, and on the reverberations produced in the Philippines by these investigations.

**364. Information Memorandum From the President's Special Assistant (Rostow) to President Johnson<sup>1</sup>**

Washington, April 10, 1968, 3:35 p.m.

**SUBJECT**

PHILCAG—and your message to Marcos

Your message to Marcos urging him to stand fast on PHILCAG<sup>2</sup> appears to have served its purpose. Embassy Manila reports that “the President’s letter has served to give Marcos a much needed shot in the arm on PHILCAG, and hopefully he will follow through with a major effort to win the necessary votes for a bill “which will preserve PHILCAG’s essential integrity.”<sup>3</sup>

Our Embassy cautions, however, that it will not be easy. Marcos has asked our Embassy to approach three specific senators who have proved unresponsive to Marcos’ efforts. Our Embassy will be doing so in the next several days.<sup>4</sup>

We left to Marcos the choice of releasing the text of your message to the public and he wants to assess the tactical situation before deciding to use it publicly to counteract the fairly widespread impression in the Philippines that the United States is backing out of its South Vietnamese commitment. If he does choose to release we have asked for 24 hours notice to permit simultaneous release here, if desired.

In sum, the situation on PHILCAG is looking up—but we are not out of the woods yet.

**Walt**

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. IV, Memos 8/67–11/68 [1 of 2]. No classification marking. A note on the memorandum indicates that the President saw it.

<sup>2</sup> The text was transmitted in telegram 14368 to Manila, April 9. (National Archives and Records Administration, RG 59, Central Files 1967–69, POL 27–3 VIET S)

<sup>3</sup> As reported in telegram 9252 from Manila, April 10. (Ibid.)

<sup>4</sup> Also reported in telegram 9252 from Manila.

**365. Information Memorandum From the President's Special Assistant (Rostow) to President Johnson<sup>1</sup>**

Washington, April 30, 1968.

SUBJECT

Meeting with Governor G. Mennen Williams, May 1—5:30 p.m.<sup>2</sup>

Governor Williams is in town in connection with his appointment as Ambassador to the Philippines. He is appearing before the Senate Foreign Relations Committee on the morning Friday, May 3.

Attached is a Talking Paper prepared for you by the Department of State for your meeting with Governor Williams.<sup>3</sup> In brief, it suggests that you stress:

1. the necessity for the Philippines maintaining their PHILCAG force in South Vietnam.

2. the importance of the Philippine Government taking a more liberal approach to foreign investment, both in their own interest and as a necessary step to a successful re-negotiation of our current economic relations agreement with them (Laurel–Langley).

3. our intention of keeping our AID programs to the Philippines at a relatively modest level (1968 MAP program is \$21 million and the 1968 AID program is about \$20 million).

4. our concern at the continuing lack of law and order in the Philippines and its inhibiting effect on the confidence of the mass of the people in the ability of the Philippines to meet its problems through existing domestic political structure.

**Walt**

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Philippines, Vol. IV, Memos, 8/67–11/68 [1 of 2]. No classification marking. A note on the memorandum indicates that the President saw it.

<sup>2</sup> The President met with Williams very briefly on May 1 from 5:43 to 5:45 p.m. (Ibid., President's Daily Diary) No other record of their short conversation has been found.

<sup>3</sup> Undated; not printed.

**366. Action Memorandum From the President's Special Assistant (Rostow) to President Johnson<sup>1</sup>**

Washington, May 18, 1968, 1:50 p.m.

**SUBJECT**

Reduction of size of Philippine military force in Vietnam (PHILCAG)

President Marcos has been having trouble for several months in getting from his Congress an appropriation to cover PHILCAG. Marcos and other Philippine officials have repeatedly told our Embassy it might be necessary, in view of the Congressional pressure, to reduce the size and change the composition of PHILCAG (for instance medical units instead of engineering battalions).

We have made a vigorous effort, including your letter of April 14,<sup>2</sup> to persuade Marcos to maintain the size and the integrity of PHILCAG. On several occasions he has assured us, and has stated publicly, that he would do so.

Nonetheless, withdrawals have taken place. From an original strength of 2,050, PHILCAG is down to 1,810. The Philippine Secretary of Defense and Armed Forces Chief of Staff have now informed our Embassy that they are planning a weekly reduction of 35 men until PHILCAG is reduced to a strength of 1,400. That would constitute a better than 30% reduction from the original PHILCAG strength.

Attached is an extremely stiff cable to our Embassy in Manila authorizing the Embassy to find out if the reduction has Marcos' approval.<sup>3</sup> If so, the telegram authorizes<sup>4</sup> our Chargé in Manila to speak in very blunt terms to Marcos about the dim view we take of this development. Among other things, the message says that we will suspend further shipments of equipment for Philippine army engineer construction battalions (a matter of great personal interest to Marcos and a program which stems from his visit with you in 1966). We also plan to suspend activity regarding procurement in the Philippines of our needs in Vietnam (another matter stemming from the communiqué issued at the end of Marcos' visit with you). Finally, the cable raises

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<sup>1</sup> Source: Johnson Library, National Security File, Country File, Vietnam, 5 D (2), Allies: Troop Commitments and Other Aid, 1967-69. No classification marking. A note on the memorandum indicates that the President saw it.

<sup>2</sup> Not printed. (Ibid.) See also footnote 2, Document 364.

<sup>3</sup> The draft cable is attached to a memorandum from Read to Rostow, May 11. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL 27-3 VIET S)

<sup>4</sup> Rostow wrote the following note at this point: "Not: instructs. See final para."



the possibility that at some point the reductions of PHILCAG might render the Philippines ineligible to sit in the councils of troop-contributing countries to Vietnam.

The cable has been personally cleared by Secretary Rusk.

But I have my doubts that this cable will do the job. In the first place our Chargé in Manila is not at all likely to go as far with Marcos as this cable will permit him to go. The cable should serve, however, to clarify Marcos' intentions and precipitate a dialog with our Mission on the best approach to the problem of keeping PHILCAG intact. Eventually, we may want to resort to another letter from you. That, however, depends on Marcos' reaction, and this cable is a necessary first step.

One good reason for precipitating this issue without delay is to try to get it out of the way before Mennen Williams arrives in Manila, in about a month.

There is one danger in this of which I think you should be aware. Thus far, the reduction of PHILCAG has taken place with virtually no publicity. Manila is a sieve, and a tough approach by us will probably become known and focus publicity on the PHILCAG reduction. However, that is sure to happen anyway, sooner or later. I think it is time to bite the bullet with the Philippines.

I recommend you approve the cable. Whether or not you approve you might want to discuss the problem at the Tuesday luncheon.

Walt

Approve

Put on Tuesday lunch agenda<sup>5</sup>

Disapprove

Call me

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<sup>5</sup> The President checked this option and wrote the following instructions: "Ask Clifford & Rusk to study very carefully. L." At the Tuesday lunch meeting on May 21, attended by President, Rusk, Clifford, Wheeler, Helms, Rostow, and Christian, with Tom Johnson taking notes, the issue of the Philippines engineering unit was discussed. Wheeler noted that the Philippines could not support the unit until June and Clifford stated that the Philippines wanted to reduce it from 1,800 to 1,400. Wheeler remarked that a seventy man reduction per week, as contemplated, "isn't getting much attention." The President moved on to the question of Korean troops in South Vietnam. Presumably the reduction was accepted and the cable was never sent. (Notes of a Tuesday Lunch Meeting; Johnson Library, Tom Johnson Notes, 5/21/68)

**367. Action Memorandum From the Assistant Secretary of State for East Asian and Pacific Affairs (Bundy) to Secretary of State Rusk<sup>1</sup>**

Washington, May 20, 1968.

**SUBJECT**

The Sabah Dispute and ASEAN

*Discussion:*

As you will recall, at the luncheon May 9, Foreign Minister Thanat raised the question of the Philippine–Malaysian dispute over Sabah and his concern that the dispute may disrupt the ASEAN ministerial meeting in August. Thanat plans to reason with both parties before the bilateral talks on Sabah open in Bangkok June 17. He would like us to persuade President Marcos to cool off the quarrel. We did not at the time so inform Thanat, but we have told the Filipinos informally, when they mentioned the issue, that we thought they should quiet the matter. (See Manila 8618 and State 136076 attached at Tab B.)<sup>2</sup>

After giving the matter further thought, and discussing it with the Country Directors in EA, I believe that we should continue to avoid active intervention in the Sabah dispute, and to avoid initiating discussions on this issue with any of the interested governments. In arriving at this conclusion, I considered the following points:

(1) *Seriousness of Present Impasse*—We expect the Bangkok talks on Sabah to fail, with mutual recriminations. Malaysia intends to reject the Philippine claim outright and to refuse a second round of talks, even if (according to one senior Malaysian official) the Philippines react by breaking diplomatic relations again. The Malaysians also plan to stage a military demonstration in Sabah while the bilateral talks are going on. On the Philippine side, President Marcos is reported to have reversed the moderate line urged by Foreign Secretary Ramos, and the Department of Foreign Affairs is now taking a “second hard look” at the relative priorities of regional cooperation and the Sabah claim.

(2) *Sabah as a Southeast Asian Problem*—We have told both the Filipinos and the Malaysians that we consider Sabah primarily a problem which they will have to work out for themselves. Other members of ASEAN, working separately or jointly, may be able to help them

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL 18 MALAYSIA. Secret. Drafted by Ruth A. McLendon (EA/PHL) and cleared by EA, EA/PHL and in draft with EA/IND, EA/MS, EA/TB, and EA/RA.

<sup>2</sup> Both attached but neither printed.

work out a face-saving compromise, or to persuade them at least to try to contain the dispute in order to minimize the damage to regional cooperation. I believe that advice or pressure from outside powers, however well-intended, would only weaken the sense of responsibility of ASEAN members for handling their own affairs, and that at this point, we can best encourage the development of ASEAN by standing aside and letting the member states decide for themselves how to deal with the potential threat posed by the Sabah dispute.

(3) *U.S.-Philippine Relations and Philippines in Southeast Asia*—I believe that it would be unwise especially for the U.S. to attempt to guide or influence the Philippines on this issue. Such a move would encourage the Filipinos' tendency to draw us into their affairs and then to consider us responsible for the situation. It would also reinforce the view held by other Southeast Asian nations that the Philippine Government cannot be dealt with as a responsible Government, but must be approached through Uncle Sam, who will keep them in line. If the Philippines is to play a responsible role in Southeast Asian affairs, Filipino leaders must learn to conduct their affairs without guidance from us, and to bear the consequences of their mistakes.

The attached telegram (Tab A)<sup>3</sup> would instruct Bangkok to follow up the luncheon conversation of May 9 with Thanat with a fuller discussion of the Sabah issue, and to outline an appropriate portion of the reasoning I have given above. Other addressees would be authorized to draw on the message in discussions with interested officials, but not to raise the Sabah question independently.

*Recommendation:*

That you sign the attached telegram to Bangkok concerning the Sabah dispute.

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<sup>3</sup> The draft telegram is attached, but is not printed. According to a handwritten note, Rusk approved its transmission and it was sent on May 21 at 12:30 p.m.

**368. National Intelligence Estimate<sup>1</sup>**

NIE 56-68

Washington, June 20, 1968.

**PROSPECTS FOR THE PHILIPPINES****The Problem**

To assess the situation and prospects in the Philippines over the next two years or so, particularly with regard to the performance of the Marcos administration.

**Conclusions**

A. The Philippine political system, despite the trappings of democracy, is dominated by a wealthy and conservative oligarchy, largely unresponsive to the economic and social needs of the vast bulk of the population.<sup>2</sup> President Marcos, a man of remarkable personal and political achievements, has been unable to rise above the system. It is not likely that the remainder of his administration will be any more productive; from now until the next presidential election in November 1969, both he and his opponents will be increasingly preoccupied with politics to the detriment of substantive programs.

B. Even over the longer term, prospects for reform of the Philippine social and political apparatus do not appear promising. Although the left does not pose an immediate threat, it may be able to convert existing apathy and resignation into discontent and eventually active opposition. Moreover, Philippine frustrations are likely to have an increasingly anti-American cast.<sup>3</sup>

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<sup>1</sup> Source: Department of State, INR/EAP Files: Lot 90 D 165, NIE 56-68. This estimate was prepared by the Central Intelligence Agency and the intelligence organizations of the Departments of State and Defense, and the NSA. All members of the U.S. Intelligence Board concurred with its submission with the exception of the AEC and FBI representatives who abstained on the grounds that the subject was outside their jurisdiction.

<sup>2</sup> In a memorandum to Fred Green of INR/REA, June 27, C. Hoyt Price, Director of EA/PHL, argued that this NIE was "too pessimistic" and quoted from an IBRD team assessment that suggested that the Philippines' economy "was in better condition than it has been during most of the last decade." The 1967 growth rate was 5.6 percent as compared with 4.2 percent in 1966. Food production was up, there was a rice surplus, and public investment projects were being completed. Price suggested that since the IBRD assessment was so much at variance with the NIE, the NIE should not be made available to other governments. (Ibid.) This NIE was not released to other governments. (Memorandum from Hughes to Price, July 18; *ibid.*)

<sup>3</sup> On July 12 John Holdridge (INR) prepared a rejoinder to Price's June 27 memorandum which concluded that "aggregate economic growth, especially when accompanied by an extremely high birth rate and inequitable distribution of income is an unreliable barometer of social-economic progress." Holdridge stated that there was no "evidence" that "an increase in the GNP noticeably lessened the burdens of poverty, unemployment, land hunger and corruption borne by the average Filipino." (Ibid.)

C. The cornerstone of Marcos' foreign policy is the US-Philippine alliance, which is generally approved. A recent agreement has, for the time being at least, removed major problems related to US military bases. Though Filipinos generally are apathetic about the war in Vietnam, leaders are deeply concerned that the US maintain a strong position in Asia and will, from time to time, seek reassurance as to the US security commitment to their country.

D. New openings to the outside world in the form of increased participation in Southeast Asian regional affairs, contacts with more countries outside the region (including Communists), and greater awareness of the implications for the Philippines of external developments will reduce the general parochialism of the country, but probably not significantly in the near term.

[Here follows the Discussion section of the estimate.]

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**369. Telegram From the Embassy in the Philippines to the Department of State<sup>1</sup>**

Manila, July 25, 1968, 0510Z.

13219. Subj: Sabah dispute.

1. Sabah matter discussed fairly intensively between Pres Marcos and Bundy at meeting afternoon July 24.<sup>2</sup> Because of extreme sensitivity this subject and speculation this conversation in particular all posts should handle this report with great care. For public purposes Marcos agreed with Bundy that latter should adhere to absolute "no comment" position throughout his trip on the whole subject of Sabah, including the question whether the topic had even come up with Marcos or with GOP officials. Question of disclosure to friendly governments addressed below for appropriate instructions and action by Department.

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 32-1 MALAYSIA-PHIL. Secret; Immediate; Exdis. Repeated to Bangkok, Canberra, Djakarta, Kuala Lumpur, and London.

<sup>2</sup> William Bundy had attended the Honolulu Conference between Presidents Johnson and Thieu of South Vietnam. After the conference, he visited U.S. allies in East Asia, including the Philippines, for consultations. In telegram 8708 from Seoul, July 23, Bundy asked for advice for his meeting with Marcos on the Sabah question. Bundy stated he was inclined to have "a heart-to-heart" and recalled that Rusk had told him to "make it crystal clear that if there were to be any conflict [over Sabah] whatever, they [the Philippines] could count on nothing from us." Bundy proposed "to be extremely frank and tough with Marcos alone, but not to spread the word." (Ibid.) The Department concurred in telegram 20694 to Manila, July 23. (Ibid.)

Following Bundy's report on Honolulu meeting and general status in SVN, Marcos himself raised the subject of Sabah (setting, incidentally, was totally private, with airconditioner drowning out any listening ears). Marcos' opening remarks made following points:

A) He noted that claim had been made before he came into office and that his own party had been divided on it;

B) Nonetheless, matter had assumed major importance in the Philippines, and he felt obligated to keep it alive;

C) A week before the ending of the Bangkok talks, GOP had thought it had understanding with Razak the talks would be ended on the note that neither side had convinced the other, but that discussions would continue in some form after an unspecified period of recess. Unfortunately, sharp Malaysian behavior and outright rejection of claim had produced situation in which his Foreign Policy Council had been inclined to recommend immediate military action. He had held this off, and had limited GOP reaction to withdrawal of all but one representative in KL;

D) He volunteered that he was completely opposed to any military action and would indeed "take the issue to the country" if necessary to prevent this. At the same time, he said that Muslim feelings in neighboring areas ran high and that there might be some private raids that he could not control;

E) In conclusion, he expressed the hope that USG could act to produce "more civil" attitude by GOM, again making clear that he felt major need to keep the issue alive and at least apparently under serious discussion. He also mentioned ICJ, but without pressing it.

2. In reply, Bundy made following points:

A) USG had not been, and would not become involved in dispute on either side. We took no position on the merits of the claim or on responsibility for the breakup of the Bangkok talks. We felt it essential to adhere to this position. (At the same time, Bundy remarked that when claim had first been raised, he had expressed clear private views on it—unstated but clearly implied to be negative—but would not do so in present circumstances. He also noted that there was "widespread impression" that closing phases of Bangkok talks had been affected by the "rather crisp" presentation of Ambassador Guerrero. Marcos obviously took in both points, but did not pursue them.);

B) At the same time, we did feel it right to convey to Marcos the serious effect that failure to "damp down" the dispute would have on American public support for U.S. policy in SEA. Bundy referred back to reference he had already inserted in discussions of Honolulu meeting to the fact that such public support was currently threatened, as never before, and that there was serious danger of its erosion. In this context, Bundy noted, serious dispute between two friendly nations and key

members of ASEAN could have serious negative consequences in terms of U.S. public and Congressional opinion;

C) Bundy went on that any resort to military action would be disastrous in the same context. We welcomed Marcos' clear statement on this aspect, and Bundy said we would have had no doubt that this was GOP position (*sic*), and that we were equally confident that any measures GOM might take would be defensive in character (no reference was made to any specific items of evidence, other than "inevitable rumors", nor did Marcos follow up or mention any specific items.);

D) In line with Marcos' desire to keep the matter under discussion, we continue to feel that any USG role would be most unwise, but equally felt that Asian friends of both parties might play useful role particularly in the corridors at the forthcoming ASPAC and ASEAN meetings. Bundy particularly noted that both Thai and Indonesia were interested and objective nations and also referred to Korean concern expressed to Bundy in Seoul—noting that Bundy had suggested side discussions in Canberra and also that we did not believe ROKG itself knew enough about the matter to be really helpful.

3. Marcos took all this in good part. His manner throughout was sober, and gave impression not merely of saying the right things but of meaning them. Discussion flowed easily and with apparent clear understanding.

4. Other discussions during Bundy visit, with Mrs. Marcos and with Ramos, appear to make clear that: A) GOP does regard non-withdrawal of GOM Ambassador in Manila as a conciliatory gesture; B) Ramos definitely plans to attend Canberra and Djakarta meetings personally, and specifically mentioned his hope for quiet discussions with Razak on these occasions; C) Mrs. Marcos' statement on local political pressure from the heirs of the Sultan of Sulu and from student elements seemed unconvincing. Likewise Marcos' reference to potential revolt in "southern Mindanao"—which he did not amplify—struck a hollow note to us. Nonetheless, Mrs. Marcos made more political sense in referring to attacks by newspapers and opportunist opposition elements—and we surmise that this is the core of the matter here.

5. In sum, we believe that private conversation can have left Marcos in no doubt (A) that we were not going to become involved and that we are looking to Asian friends to help; (B) that our objective judgment was that continued crises on this issue would have serious negative effects on our ability to continue policies of President Johnson, which we believe to be supported in essence by the most likely successors.

6. Department will wish to instruct key posts on how to handle this discussion in local capitals. Bundy instinct is that Australians and perhaps British should be told full position for their own knowledge

only, with explanation that this line of argument seemed to us the one likely to be most effective here and at same time least susceptible to negative consequences. We would think our disclosure to KL, if any, should be more limited. We might be able to go further in private talks with Malik and Thanat.

Bundy would propose to explore Thanat's feelings and views at planned dinner tonight in any event, and to throw out lines of thought suggested in Deptel 208279.<sup>3</sup>

7. What is most vital, from every standpoint, is that there should be no report that could possibly leak to the effect that we had had put "pressure" on the GOP. This would be the one thing that could really undo things here, both in terms of possible effect on GOP behavior and in terms of our wider relations and interests.

**Williams**

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<sup>3</sup> In telegram 208279 to Manila, Bangkok, and Djakarta, July 24, the Department suggested that the ASEAN Ministerial meeting offered the best prospect for reopening negotiations on Sabah and wondered if a study group under ASEAN reporting to the group might be the best mechanism. (Ibid.)

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### **370. Telegram From the Embassy in the Philippines to the Department of State<sup>1</sup>**

Manila, October 2, 1968, 0947Z.

15828. Sabah: U.S.-Philippine relations. Ref: Manila 15756.<sup>2</sup>

1. It is a truism that U.S.-Philippine relations are in many ways unique. With no other nation in Asia do we share the same closeness

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 32-1 MALAYSIA-PHIL. Secret; Priority; Limdis. Repeated to Bangkok, Canberra, Djakarta, Kuala Lumpur, London, Singapore, Wellington, USUN, and CINCPAC.

<sup>2</sup> In telegram 15756, October 1, the Embassy presented its "best current estimate on the Phil attitude towards Sabah." It believed the issue was in danger of becoming a "national cause," exacerbated by the widespread public perception that the United States favored Malaysia's claim. The Embassy suggested that Sabah provided Marcos with a potential issue to distract attention from his domestic problems and distance himself from the United States, but he was not considering a military showdown with Malaysia. (Ibid.)



of sentimental and emotional ties. Nowhere else in Asia do we have such a visible and overwhelming political, military and economic presence. Only Thailand rivals the Philippines as a base of support for our military effort in Vietnam. All these factors create a network of ties which makes it impossible to divorce actions of the GOP from its relations with the U.S. The Philippine dispute with Malaysia over Sabah has, therefore, an unavoidable effect on our bilateral relations.

2. As reported reftel, there has been a strong emotional reaction to what many Filipinos view as a rejection and repudiation by the U.S. The reflex reaction was a desire to punish the U.S. expressed in demands for PHILCAG withdrawal, modification or termination of the bases agreement and renegotiation of the defense treaty. While the British and Malaysia got their lumps, the focus of most of the demonstrations was against the U.S. The demonstration Sept 30 at Clark Air Base, the restriction of military overflights and landing rights, customs harassment in the port of Manila are further manifestations of GOP displeasure.

3. If President Marcos should decide to follow a more active course in pressing the Philippine claim to Sabah it is almost inevitable that the established American position of impartiality will be interpreted as opposition to the Philippines (if we are not with them we're against them).<sup>3</sup> The negative aspects of Philippine nationalism have traditionally focused on the U.S., and the Philippine claim could easily become more anti-American than anti-Anglo Malaysian. Philippine youth does not have the built-in restraint of memories of wartime cooperation with the U.S. Once Congress has reconvened we can expect its more vocal members to join the effort to get political benefit from attacks on the U.S. If this should be the course of events, we will be in for a dicey time. The extent of our exposure in this country produces a multitude of targets, and life could be made most unpleasant without outright violation of the letter of any of the network of agreements linking our two countries.

4. Our military relations are particularly sensitive. We have outstanding commitments to discuss a number of provisions of the bases agreement and of course general commitments in Bohlen-Serrano to discuss "any question of particular interest" to either government. A formal demand by the GOP for renegotiation, followed by a tough

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<sup>3</sup> Rusk and Foreign Secretary Ramos met at the United Nations on October 8 and discussed the Sabah dispute. Ramos reiterated more than once that the Philippines had no intention of going to war over Sabah. Rusk stressed that the dispute should not be settled by force and observed that there is a distinction between the United States acting on the basis of the status quo and taking sides in a territorial dispute. Rusk told Ramos: "Don't draw us into this; we have a basketful already." (Telegram 252294 to Manila, October 9; *ibid.*, POL 7 PHIL)

approach and protracted talks, could have a serious adverse effect on military planning for the whole of the Western Pacific and Southeast Asia. The pending Smith case could be used as the basis for a request to renegotiate the bases agreement or could be combined with other general harassment of U.S. interests. The GOP may also seek formal renegotiation of the defense treaty in an effort to extract a more categorical commitment to immediate defense of the Philippines should it come under attack. There is also a broad range of other harassments which might include any combination of the following:

- A. Stimulate labor troubles on the bases.
- B. Over-bureaucratize customs procedures to point of stoppages—insist on customs control at Subic and Clark.
- C. Take away our military radio frequencies (or harassment short of complete denial).
- D. Institute clearance procedure of various degrees of cumbersome for all, or various categories, of U.S. and military flights (in country—out of country).
- E. Deliberate slowness on visas for contractor employees and technical representatives.
- F. Harass our military personnel with criminal actions.
- G. Insist on taxation of MAC charter flights.
- H. Insist on having Philippine customs, tax, immigration people on base.
- I. Tax sealand shipments—vehicle registration, income tax, etc.
- J. Licensing of on base contractors.

5. Philippine economic nationalism and individual greed, already making life difficult for American business, is certain to intensify as the GOP uses this technique of getting at the U.S. by vicarious punishment of American business. Following is a recap of existing or possible additional moves in this field.

- A. Delay action on applications of American businessmen for treaty-trader-investor visas.
- B. Postpone Senate consideration of ratification of U.S.—GOP double taxation agreement (already ratified by U.S. Senate).
- C. Institute further court actions against U.S. business under Retail Trade Act.
- D. Push through Oil Commission bill in next special session of Congress to detriment of U.S. oil companies.
- E. Approval by President of anti-discrimination bill (equal pay for equal work).
- F. Customs harassment on clearance of goods (including remnants) from U.S.

6. In the political field, the GOP apparently still feels that it can hurt us by opening diplomatic and trade ties with the Communist world. Plans are going ahead for a govt-sponsored company for trading with Communist bloc. The presence of a Soviet ambassador in Kuala Lumpur could now take on heightened significance, and as some Con-

gressmen have suggested, there have been feints at seeking to obtain military equipment from the Communist world.

7. PHILCAG is an obvious target, and Marcos has the relatively graceful out of pleading insufficient funds to maintain it in Viet-Nam. He may, however, decide to go slow in a Philippine withdrawal since it would cancel his claim to a place at the peace table and, perhaps even more important, a chance to share in the post-war division of American military equipment. Rotation of PHILCAG to maintain the existing 1,500 strength level is now in progress and if the lift remains on schedule rotation will be completed on Oct 15. Several options short of complete withdrawal are open to Marcos including further across the board scaling down or selected withdrawal of engineer troops.

8. U.S. interests in the broader context of regional cooperation are also bound to suffer. The ASEAN Commerce and Industry Council met on schedule in Manila with a brave show of regional harmony, but the relentless logic of a consistent stand for and against the claim will tend to force the Filipinos and Malaysians into head-on collision in every common regional body, with a consequent disruptive effect on the whole framework of regional cooperation.

9. The foregoing bleak picture of a possible course of Philippine-U.S. relations is based on a pessimistic projection of events. Marcos in the coming days will be weighing carefully the advantages and disadvantages of the options open to him. In the third message in this series we will discuss courses of action which might help to shape his decisions.<sup>4</sup>

**Williams**

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<sup>4</sup> In telegram 15956 from Manila, October 4, the Embassy suggested the following ways to influence Marcos to take a serious look at the Sabah issue and the future of U.S.-Philippine relations: persuade him that the United States was looking for bases elsewhere in Asia, send personal messages from key Congressmen like Mansfield or Zablocki, arrange for hints from New York bankers that the United States was concerned, and suggest that the United States could reduce the Philippines sugar quota. (Ibid., POL 31-1 MALAYSIA-PHIL)

**371. Telegram From the Embassy in the Philippines to the Department of State<sup>1</sup>**

Manila, October 14, 1968, 1050Z.

16312. Subject: Williams talk with President Marcos.

1. Today I had the most basic and best talk yet with President Marcos. He had asked me to come over Monday when I telephoned him Saturday<sup>2</sup> with Department's answer to his inquiry on Admiral Bringle's visit to Malaysia. The meeting was preceded by a preliminary meeting with Undersecretary of Defense Melchor and Chief of JUSMAG Gomes present. This was a discussion on GOP purchase of ammunition from Taipei. It will be reported separately.<sup>3</sup> As that part of the meeting drew to a close, I told the President I would like to bring something else up and he immediately suggested a private conference. The way he did it suggested to me that he had had this private conference in mind from the beginning. Melchor and Gomes withdrew and the President and I retired to the sitting space through the pillars behind his desk. There is a sofa between two rattling air-conditioners and two large easy chairs. Assistant Secretary Bundy will remember this as the place where we met with the President. The conversation was isolated and secure.

2. Anti-American demonstrations. The President began the conversation by saying he understood that we were concerned with the official support of the recent demonstrations. He said that it was true that he had close touch with elements in these demonstrations, particularly students and labor. He said and later repeated that while the situation now was under control, at one point it was in danger of playing into and falling into the hands of the Communists. As a consequence, he had maintained touch with radical leaders and had infiltrated his people so as to maintain control. He said, "You can tell your government that it can rely on the fact that I am in charge and that there will be no anti-American demonstrations that will get out of control." He said that there were some student organizations that were not strong enough and independent enough to prevent the Communists and other radicals from leading them. He then said that there were a number of radical leaders that he had enveloped in order to prevent their working against him. He said that Secretary of Labor Ople was one of these. He said he was a brilliant man and if he were left loose

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 15-1 PHIL. Secret; Exdis.

<sup>2</sup> October 12.

<sup>3</sup> Not further identified.

by himself, he could organize against the government. He mentioned two or three other names that I couldn't hear clearly. One of these was Adrian Christobel, a young speech writer and associate of Ople.

3. At approximately this moment I moved in with the point which I had originally intended to make with the President, namely that we felt that the United States was being harassed in the Department of Finance in matters such as Manila port customs. Specifically, after 18 years we were being required to fill out long form declarations of tax exemption which unduly tied up operations, required storage and opened possibilities of pilferage, etc. As my purpose was to raise U.S. concern about harassment of various kinds rather than seeking to work out any particular point, I did not further develop the matter.

4. Sabah. The talk in connection with the demonstrations turned naturally toward Sabah. The President said, "You know the Philippine people are really concerned about Sabah. I didn't realize myself how concerned they were. This is an important, serious issue with them." The President said again, as he had on previous occasions, that the Moslems were causing him a great deal of trouble on this issue. He said that Mindanao Moslems could be a problem because they could go to Sabah at any time and could cause trouble there. He said again as he said when Assistant Secretary Bundy spoke with him,<sup>4</sup> that he would do everything to try to stop them from doing this, including his using force. He brought this latter matter up in connection with his last point, namely that the United States could help settle the Sabah issue.

5. Clark guns to Huks. The President next came up with three specific subjects. The first was his observation that guns and ammunition were getting out of Clark Field to the Huks. He admitted perhaps some had been stolen. He incidentally remarked that he had figures to indicate that there was enough alcohol coming into Clark to provide two gallons per day to each man. He said they were worried that there were a lot of luxury cars at Clark and that these and other luxury items could turn up in the black market. I told the President I would get in touch with Clark Field and have a specific survey made immediately of the possibilities of guns and ammunition getting to the Huks and that as soon as I had a complete answer I would ask the President for a meeting and would bring the 13th Air Force Commander to sit in with him to go over the whole thing. He indicated that he would be pleased to do so. On the matter of alcohol and luxury items, I said that the use of long forms or short forms in clearing shipping through Manila would do nothing to help solve that problem. I said, however,

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<sup>4</sup> See Document 369.

that we would be pleased to sit down with anyone to examine the problem and then to determine what specifically could be done to control it. In speaking about the possibility of arms getting to the Huks. He said, "Can't you do something about security at Clark." I said that starting with Smith incident, we had begun a complete review of all base security and would at the proper time welcome the opportunity to sit down with the Philippine authorities to see whether there were additional ways and means either unilaterally or bilaterally, to control this problem which concerned us very much.

6. Lansdale working politically against President Marcos. He opened this point with a question, "Where is Lansdale anyway? Is he working for the U.S. Government?" Of course I told the President that Lansdale was not working for the government but was in Honolulu at the East-West Center. I speculated that he was in a position where both Filipinos and Americans travelling from Manila to U.S. could be in contact with him and come back with stories, true or fabricated about their meetings with him. The President then said that he understood that Lansdale and 20 or 30 people were disappointed in him as President because he hadn't adequately repayed them for the help they had given him in his Presidential election. He then said, "I understand that Lansdale is trying to develop a candidate to beat me in the coming election." I told him that the U.S. Government had nothing whatsoever to do with Lansdale nor with anything he might be doing in developing a political opponent for Marcos. I told him that the U.S. is staying strictly out of any internal political matters. At the same time if we, as observers only had to lay odds on the outcome "in the language of the Philippine press you would be our bet. First of all you are the most likely winner and secondly you are by and large trying to do the things we would like to see done. Of course we are not backing anyone and we are not going to." The President terminated this part of our conversation by saying that he would very much appreciate it if we could get to Lansdale and tell him in some way to lay off. I said that we hadn't any way to do that inasmuch as he was not employed by us in any way but I would pass the message on to see whether Washington had any ideas on the subject.

7. Washington dislike of Philippines. President Marcos opened new subject by saying, "I don't think the State Department really likes the Philippines." He said his Ambassador in Washington had sent a report that in some recent public statements about foreign aid the Philippines wasn't mentioned once. I told him that I was frankly worried about the same thing. I said, "A moment ago, Mr. President, you said that you could ultimately control Ople because you fought together in Bataan. In this country and in mine there is a new generation who doesn't remember Bataan and they look at these things in a different

light." I said that introspection in our country was prevalent. Our aid bill is the smallest in history. People in the U.S. are fed up with other countries and are looking inward. I said that this meant that people like the President and myself who wanted to see good relations between countries must be particularly careful to keep our lines straight. I said that any of the little irritants that come up are viewed in a different light from the earlier days of our close relationship. I said that some of the things that had happened recently in the Philippines were not making a good impression at home and that he knew what the McCloskey statement had blown up into in the Philippines.<sup>5</sup> I said that I thought my government would feel good about our conversation because I could tell them what he was really thinking about and that I hoped we could periodically have discussions to review the problems between us. He agreed that this was a good idea.

8. Philippines/Malaysia summit. President Marcos then went on to say, "I want to ask your government's help in getting a successful meeting between Malaysia and myself. I would like to see a picture taken of the Tunku and me sitting down at such a meeting." I said first of all I would like to understand whether President Marcos would be satisfied with a conference only involving a picture of himself taken with the Tunku or whether he was going to open a discussion in search of a Sabah solution. "I would like to get together and talk about lessening the tension between our countries," he said. I said, "We have taken the position constantly that we would like to see your two countries get together. We would certainly favor such a meeting. We have always wanted to see your neighbors help you get together, since we want to keep our profile very low. I don't know what we ourselves can do to bring about a meeting between you two." He then said, "If I may make a suggestion, I would like to suggest that your country could get together with the British to move Malaysia in the direction of such a conference." He said that he had talked with the British Ambassador recently about this matter. I said that I would convey the President's feelings to my government and I added that I felt sure my government would be very happy to know of the President's interest in trying to get the Sabah matter calmed down.

9. Conclusions. While I want to think over the implications of this conference before making a final report, after a preliminary discussion with top staff members, I think I can safely conclude that this was an important and useful conversation. Among the implications would be these: (A) our ties to the President through him, Rafferty to Mrs. Marcos and directly to the President are working well and providing a method

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<sup>5</sup> See footnote 3, Document 373.

of communication which, among other things, permits testing of the waters before Ambassadorial conversations; (B) it seems clear that the objective of having the President come to us, as raised in our previous summary telegrams, was partly achieved, although we left our door open through the Rafferty route. President Marcos is evidently concerned about what the U.S. thinks about his involvement in the recent anti-U.S. demonstrations and was concerned about the indications of Washington coolness towards the Philippines as conveyed to them through Ambassador Lopez. We continue to believe, however, that further signals to Marcos of the indirect sort suggested in our trilogy of cables would be helpful and would appreciate Departments's views; (C) he definitely showed a raw nerve in his concern that the U.S. Government might be supporting Lansdale in developing his alleged campaign against Marcos' re-election. We have had previous indications from weeks back that Marcos was concerned that the U.S. Government was conspiring against him; (D) the Malaysia ploy either indicates that he is trying to please us by doing something which will show an attitude which we would approve, or he is genuinely interested in our assistance with the British, as he had been before his Sabah statement, or both; (E) we have not yet satisfied ourselves as to just what the Clark Field guns to the Huks point really means. It may be only that he is opening a possible bridge to further discussions. This matter is an old chestnut that the President has been fully informed about and we will of course bring him up to date; (F) all in all, the President's demeanor, the tone of the conversation and the several openings for further intimate discussions, inclines me to the view that this conversation has the potential for closer and hopefully better relations with the President.

**Williams**



**372. Action Memorandum From the Deputy Assistant Secretary of State for East Asian and Pacific Affairs (Godley) to the Assistant Secretary of State for East Asian and Pacific Affairs (Bundy)<sup>1</sup>**

Washington, November 15, 1968.

SUBJECT

Philippine Archipelago Theory and the Right of Innocent Passage

1. The Philippine Government recently amended its legislation concerning territorial seas and internal waters, thereby reasserting its claim to an area of the high seas which at one point extends over 300 miles from the nearest Philippine land area of any consequence. This is a repetition of a previous claim made by the Philippine Government which we and other nations have never recognized. In 1961 we officially notified the Philippine Government of our non-recognition of this claim, and we consider it advisable to repeat our position at this time.

2. If this had been the only issue raised by the Philippine Government, it could have been handled in a low key and with little or no controversy with the Philippine Government. However, the Philippine Government has also for the first time attempted to deny the right of innocent passage to warships by requiring prior permission for passage of warships through Philippine claimed waters. This Philippine position was expressed in an Aide-Mémoire delivered to the British Government (Tab A),<sup>2</sup> an Aide-Mémoire delivered to the Australian Government (Tab B),<sup>3</sup> and a news release by the press office of Malacanang (Tab C).<sup>4</sup> By the terms of these documents, the Philippine position would apply to all armed foreign public vessels. We do not feel we can leave this position unchallenged. It is contrary to the United States Government's view that a requirement of previous authorization for passage of warships is inconsistent with the right of innocent passage for warships guaranteed by the Convention on the Territorial Sea and customary international law. Philippine enforcement of their announced policy would create a precedent that invites application of this principle to other areas such as the Straits of Gibraltar, thereby

<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL 33–4 PHIL–US. Confidential. Drafted by Price and cleared by Peter L. Wallin of L/SPA.

<sup>2</sup> As contained in telegram 13143 from London, October 2; attached but not printed.

<sup>3</sup> As contained in a telegram from the Australian Embassy in the Philippines to Canberra, October 10; attached but not printed.

<sup>4</sup> Dated September 23. (National Archives and Records Administration, RG 59, Central Files 1967–69, POL 33–4 PHIL–US)

endangering passage that is crucial to the strategic interests of the United States, its allies, and the free world. DOD (particularly the Navy), and the Office of the Legal Adviser in the Department feel very strongly, and we in EA concur, that we must not allow this precedent to take hold.

3. Both the British and the Australians are faced with the necessity of replying to notes and Aides-Mémoire but their Embassies here expressed a desire to consult with us in advance. The British have prepared draft replies, a note protesting the legislation (Tab D) and an Aide-Mémoire in response to the Philippine Aide-Mémoire on innocent passage (Tab E).<sup>5</sup>

4. Given the current anger of the Filipinos against the British growing out of the Sabah dispute and British actions in support of Malaysia, it is our conviction that a delivery of the British note and Aide-Mémoire without adequate advance preparation would cause further controversy and lead the Filipinos to digging in even stronger in their untenable position. Given our overall strategic interest, we would not be able to avoid involvement. For this reason, we believe the best procedure for all concerned and the one offering the best chance of avoidance of an unpleasant clash between the Filipinos and their best friends is for our Embassy in Manila (preferably Ambassador Williams with President Marcos) to have a frank talk with Filipino officials. Attached as Tab F is a draft which has been cleared with DOD and the Office of the Legal Adviser, and which has been discussed with officers of the British, Australian and New Zealand Embassies here, designed to accomplish this purpose.

*Recommendation:*

That you approve the attached instructions to Embassy Manila.<sup>6</sup>

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<sup>5</sup> Neither attached.

<sup>6</sup> Bundy approved sending the instructions attached as Tab F; they were transmitted in telegram 276316 to Manila, November 22. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL 33-4 PHIL)

### 373. Telegram From the Embassy in the Philippines to the Department of State<sup>1</sup>

Manila, December 13, 1968, 1112Z.

18584. Ref Manila 15756, 15828, 15956.<sup>2</sup> US–Philippine relations: a current reading and a projection forward.

1. In analyzing the Philippine situation, complete objectivity is difficult at this moment because US–Philippine relations have once again gone sour. Our major objectives are substantially unimpaired and our relations on the surface remain cordial, but consistent with the four-year cycle that makes the third year in office of each Philippine President one of reciprocal disappointments, there is now annoyance and frustration on both sides.

2. The Philippines has its traditional ambivalent complaints of too much American economic presence but too little American investment; too much American military presence but too few unqualified, automatic defense guarantees; too much American paternalism but not enough tangible demonstrations of paternal affection. The McCloskey statement on Sabah<sup>3</sup> and the AP report based on it that the US had abandoned its position of impartiality on the Philippine claim opened Pandora's box. Some Filipinos, reportedly even the President, felt the US had deliberately stabbed the Philippines in the back. Others more sympathetic felt the McCloskey statement was unfortunate and ill-advised. Sabah aside, however, most of the Philippine gripes are chronic, not acute.<sup>4</sup>

3. Most of the active sourness is concentrated on the American side and is created by irritation, impatience, and frustration. Marcos

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967–69, POL PHIL–US. Confidential.

<sup>2</sup> See Document 370 and footnotes 2 and 4 thereto.

<sup>3</sup> On September 19 Department of State Spokesman McCloskey stated that the United States recognized Malaysia in 1963, and the press concluded that he had stated that the United States recognized Malaysia's claim to Sabah. On the next day, September 20, McCloskey stated that recognition of Malaysia in 1963 was in no way a departure from U.S. neutrality toward the competing Philippines and Malaysian claims to Sabah. The United States recognized countries with territorial disputes without taking sides, as was the case when the United States recognized India and Pakistan without reference to Kashmir. (Telegram 15394 from Manila, September 21; National Archives and Records Administration, RG 59, Central Files 1967–69, POL 32–1 MALAYSIA–PHIL)

<sup>4</sup> In telegram 17833 from Manila, November 22, the Embassy reported that Mrs. Imelda Marcos had complained to Embassy officer Rafferty about the deterioration of U.S.–Philippines relations. She specifically mentioned rumors that Edward Lansdale and the United States were "looking for a candidate to support against Marcos." Mrs. Marcos stated that steps had to be taken to improve U.S.–Philippines relations. (Ibid., POL PHIL–US)

has not done all we wanted on PHILCAG. Marcos' domestic leadership has not been up to expectations. The Filipinos often do not live up to their part of aid or trade arrangements. The Philippines has lagged behind the rest of Asia in economic development. Philippine policies on Laurel-Langley vested rights and land ownership issues promise to injure both the Philippines itself and US investors. Crime, graft, and corruption are on the rise. For the first time there was palace complicity in anti-US demonstrations. Guerrero's tactics in Bangkok and the way Marcos has pursued the Philippine claim to Sabah have cast a pall over the bright new day of regionalism we were [garble—planning?] for Southeast Asia.

4. We also have a rash of other nagging irritations and complaints, related principally to the movement of military cargo to our bases in the Philippines. In the words of a prominent US official, we are fed to the teeth with the Philippines.

5. The Filipinos, on their side, have been conducting business with the US in a normal manner following the traditional pattern of manipulation of an indulgent, generous, permissive foster parent. To use a favorite Philippine cliché, they have taken us for granted. They have utilized, but far from the fullest, the two major levers which we placed in their hands; our need for the military bases and our desire to have Philippine troops represented in Viet-Nam. Until very recently they were apparently completely unaware of the resentment building up in the US. Showing an uncharacteristic lack of sensitivity, they failed to recognize that historical protectors and patrons of the Philippines had all but vanished from the American scene. The Philippines is now being judged on an objective standard—perhaps even somewhat more strictly since as a former US charge we expected them to be leading, not falling behind, their Asian neighbors.

6. Following Marcos' triumphal US tour and President Johnson's many favorable comments on the Marcos administration, the Philippine Government was so sure of itself and the effectiveness of backdoor diplomacy that saw no need for first-rate diplomatic representation in Washington. There has been no full time Ambassador since Ledesma departed in 1965. A diplomatic mission of monumental mediocrity provided no really effective eyes and ears for the Philippine Govt in Washington. The American Ambassador to the Philippines, in Marcos' own words, was also the Philippine Ambassador to the US. Only within the past few weeks has the situation gradually come home to the Philippines as junketeering Philippine Congressmen, govt officials and businessmen returned from the US in a state of surprise and alarm over the frosty displeasure they found.

7. These reports served to accentuate a growing mood of doubt and uncertainty in the Philippine mind about the future of their rela-

tions with the US brought on by other events. The bombing halt and the possibility that 1969 might bring an end to the war in Viet-Nam started the Filipinos thinking that there might be a change in US attitude toward its military presence in Asia following such a settlement. The election of Richard Nixon created a whole new range of uncertainties about the policies of the new administration, and the Filipinos began to circle warily around a number of indications that Southeast Asia might decline in order of priority and the Philippines might lose the leverage which they have come to believe was a permanent aspect of their relations with the US.

8. Within the Philippines itself, the country is entering a period of transition which will in any event have an effect on Philippine-US relations. The President elected in 1969 will probably be the last Filipino chief executive who remembers the Commonwealth. In 1973 the post-war generation will be a major element of the electorate. The US will have lost most of its automatic "constituency," except perhaps in the provinces, and the President elected in that year, and all those aspiring to the Presidency will have to accommodate to the more independent, internally oriented new Filipino. Marcos, as a transition President, is already feeling the conflicting pulls of the familiar security and dependence of the old US-Philippine ties and the exciting perils and promise of full independence.

9. The road ahead in our relations with the Philippines is in fact obscured by at least three major uncertainties. We do not yet know the full programs and policies of the new administration that will take effect next January. We cannot foresee in any detail the circumstances which will surround the settlement of the conflict in Viet-Nam, nor the results of the reassessment of our entire forward base structure which seems almost certain to follow such a settlement. Finally, we cannot foresee the nature of the extent of the post-1974 relations between the two countries on trade and investment matters.

10. Our relations with the Philippines in the economic field are inevitably moving toward a diminution of the intimacy that has existed heretofore. This is in part due to the operation of secular historical forces as time passes since the Philippines was a member of the American body politic. However, the pace is forced by the pressure of Philippine nationalism. In investment matters nationalism is leading them to define in narrower terms the role that foreign investment, including US investment, is to play in Philippine development. In trade matters, it is moving them toward stronger protectionism through both tariff and nontariff devices. Like all developing countries, the Philippines will continue to require substantial help from the US and the rest of the developed world, but it will increasingly attempt to obtain this help in forms compatible with its nationalism.

*Analysis*

11. What can we see as a likely future course of US-Philippine relations beyond the current period of transition and uncertainty? Attempting to filter out the highly subjective and emotionally charged range of irritants stemming from a relationship which is perhaps too close, certain basic and important US interests in the Philippines can be identified.

12. Our first interest is that we have, in the broadest sense, a base of power in the Philippines. We speak to Asia and even to Eastern Europe through VOA transmitters in this country, and communicate by the written word through publications printed in the Regional Service Center. US military bases in the Philippines include perhaps our single most important base in the Far East and provide the fulcrum through which our military power is applied in Asia. Twenty-four govt agencies maintain regional offices here. The US Govt and American private business recruit labor here for work all over Southeast Asia and the Western Pacific. This broad range of operational cooperation, functioning now for 22 years, we have come to accept as the natural course of things because it has worked so well. Nowhere else in Asia is US power—again using this word in its broadest sense—exercised with such freedom and with such a degree of host country indulgence.

13. Although our military bases in the Philippines are indeed the cause of frequent misunderstandings and friction, we must not allow that to becloud the fact that we are more than fortunate to have large-scale, effective and efficient bases for US naval and air power in a strategically vital position in Southeast Asia. Furthermore, there is reason for optimism concerning our ability to retain this situation for a good many years to come, probably considerably longer than will be possible elsewhere in the Far East. As long as US policy dictates a requirement to maintain a significant political and military influence in the Far East, or at least in Southeast Asia, the retention of these bases must be a primary, if not overriding, objective of our US-Philippine relations.

14. Secondly, we have a selfish economic interest in Philippine development. The Philippines could provide an excellent field for increased US investment, if its shortsighted policies were to change. US exports to the Philippines (some \$300 million) also continue to grow, even though our percentage of the market has markedly declined. A prosperous expanding Philippine economy could stimulate economic development elsewhere in Southeast Asia and stimulate further opportunities for US investment and trade.

15. Thirdly, we have a special interest in the almost 35 million people of the Philippines. They may no longer be our "little brown brothers" but in the eyes of Asia, and much of the rest of the world,

they are marked to a greater or lesser extent "made in America." Their success or failure will be to some degree a measure of the kind of people we are, how we respect our responsibilities, and how valid are our political, economic, and cultural beliefs.

16. This arises not only from over 50 years of domination of the Philippines, but from the fact that the Philippines have professed the same beliefs that we do and have in fact or appearance adopted us and our ways.

17. With no other Asian nation do we share to the same degree political, social, religious, and cultural values. It is not only that they have taken over and adapted for their own use our Constitution and political system as well as our private enterprise economy, but they have assimilated many but obviously not all of our characteristics. What other Asian society could produce a Corky Trinidad, whose excellent political cartoons run simultaneously in Philippine and US papers? In what other Asian society is there such freedom, if not license, in the press? Where anywhere in the world could you find so much American sports news in the press?

18. While there are differences of significance, of course, there are two essential facts of importance. Filipinos have become in a marked degree what they are because of us. On the one hand, this is a responsibility and an opportunity for us, if we believe, as we do, that the spread of independence and democracy promotes our own security and world peace. On the other hand, our credibility, our prestige, and our influence are tied with Philippine success or failure.

19. Fourthly, the US has been interested in the Philippines assuming a role of leadership in the development of regionalism in Southeast Asia. We were delighted when President Marcos and FonSec Ramos assumed such a posture, and were disturbed and dismayed when the Sabah affair disrupted these good beginnings.

20. Fifthly, we have the same normal interests in good relations with the Philippines that we have with the other nations of the world. We appreciate an opportunity to influence them in bilateral and world affairs in a direction that we deem helpful overall.

*Problems inherent in US interests*

21. Continuing use of military bases and the protection of private national investments carry with them strong colonial overtones. These continuing manifestations of American military and economic power tend to produce strong nationalist emotions even among those intellectually aware of the substantial contribution bases and American business make to Philippine well-being.

22. There is also a growing tendency to see the bases as serving US national interests more than Philippine national interests. A conven-

tional military threat from Communist China now seems less imminent and there are those that argue that the bases constitute a target for the growing Chinese nuclear capability. However, even of those who resent the bases, most recognize their necessity for the immediate future for Philippine security.

23. Our efforts to protect American business interests are challenged by elements of the elite and doctrinaire govt officials motivated by economic nationalism and/or cupidity. At a time when the developing world is competing vigorously for capital assistance from a developed world, we find ourselves in the paradoxical position of using US bargaining assets to persuade the Filipinos to preserve what in their own interest they should be seeking.

24. Objectives in the field of nation building have the inherent limitation that this building process in the final analysis must be accomplished by the Filipinos themselves. We can stimulate, urge and cajole, but we cannot force on them economic and political salvation. Our exhortations to get on with the job of nation building also create a pitfall. If the Filipinos come to believe that we are more anxious to see them achieve these goals than they are themselves, "nation building" becomes merely a slogan by which they extract assets from us. We also can find ourselves in the position of paying the Filipinos for the privilege of helping them, and our inputs tend to become not supplements but substitutes for the allocation of Philippine resources.

#### *Future policy*

1. In our projections of US policy we are making several basic assumptions:

A. The US will require some or all its military bases for a ten to twenty year period.

B. The Philippines will continue to be an important place for US investment and trade.

C. US will recognize that Philippine progress is an important element in its prestige and operations in the Far East.

D. US will be interested in Philippine cooperation in Southeast Asian regionalism.

E. US will be interested in continued good relations with the Republic of the Philippines.

#### *Military*

25. To maintain our military base structure for ten to twenty years we should do the following:

A. We must impress the Filipinos that US use of bases in the Philippines are in the interests of both the Philippines and the US. In addition to the normal public relations programs, in-depth programs should be developed such as perhaps joint war games that will bring home to the Philippine military the importance of US bases and forces to their security.



B. We should continue military aid, particularly technical assistance, training in the US, etc., so as to preserve vital person-to-person relationships and common traditions and common equipment.

C. Special attention should be given to continued progressive base labor relations: strikes or slowdowns of local base workers could cripple the bases.

D. We should interpret criminal jurisdiction provisions of our base agreements sympathetically with every effort made to avoid incidents, including greatest possible use of Philippine buffers.

E. We should give sympathetic consideration to increased joint responsibility and/or visible appearance thereof, consonant with effective operational control.

F. In the field of mutual defense, the clearest possible definition, as authoritative as possible, of our immediate reaction response compatible with overall US policy.

G. We should negotiate all moves. Let Filipinos win where we should yield rather than US gratuitously give. We should yield progressively not precipitously or too late.

*Economic*

26. In working out with the Philippines a new basis for the economic arrangements to succeed Laurel-Langley, our policy should be one of gradual rather than sudden and wrenching change. We should recognize the painfulness for the Filipino, both in psychological and economic terms of the phasing out of the "special relationship," even though this change is what they want. In the negotiations we should maintain a flexible position and open mind on possible measures required to ease the pain of transition in such fields as tariffs (even the continuation of preferences), commodities, investment, and perhaps even credit. This posture would be founded on a recognition that, within broad limits, a satisfactory military-political relationship will be impossible to maintain in the absence of an economic one which the Philippines regard as reasonably satisfactory.

27. Our economic policy should contain the following major elements:

A. We should make a special report to bring home to the Filipinos the advantages of good business climate and the manifold contributions of foreign investment.

B. As a complementary effort we should resist the anti-foreign thrust of Philippine policy on investment matters. We should do so in part because we have a legitimate duty to ensure that American interests receive equitable treatment, and in part because foreign investment is keenly needed for Philippine development.

C. We should recognize that despite its well-known weaknesses and inequities, the free enterprise economy of the Philippines is a vital dynamic force. It is a good calculated risk.

*Philippine nation building*

28. Our assistance to the Philippines in the process of nation building should include the following elements:

A. We should continue to provide feasible economic assistance particularly in the technical area for nation building and as a means of maintaining close man-to-man relationships and common interests between the President and the Ambassador and between other US and Philippine officials.

B. We should encourage miracle rice expansion through proper storage, milling, marketing, and export programs. This should be followed by diversification to field and feed crops, and pork, poultry, and beef programs to maintain labor intensive, profit making agri-industry.

C. We should encourage road and infrastructure development programs.

D. We should provide assistance to law and order programs consistent with Philippine inputs.

E. We should continue to encourage the growth of legitimate labor unionism and the economic advancement of the working people.

F. We should give selective encouragement to manpower training to meet the needs of existing and new industries. At the same time we should recognize that with the end of the Viet-Nam conflict there may be a sudden return of many skilled or semi-skilled workers who could disrupt labor market and cause unrest.

G. We should continue to provide support to Philippine programs of population control and family planning.

H. Peace Corps and other agency programs to improve the ability of Filipino teachers to teach their students to think, rather than memorize, as well as Peace Corps programs in the field of agriculture, economic planning, public health, and community development, should continue.

*Regionalism*

29. Regionalism, if it is to grow beyond acronyms, must meet what the nations of Southeast Asia see themselves as a pressing need. Our capacity to persuade the Filipinos to recognize this need is limited, but we can by current programs of quiet backing of Asian initiatives, as well as tactful indirect support of regional cooperation, speed up this process.

30. The Sabah dispute is currently a significant obstacle to regionalism. Here again, our capacity for successful direct intervention is

limited, but we can continue to give behind-the-scenes support to Asian efforts to find a solution.

*Good relations*

31. We should continue our efforts to put our relations with the Philippines on a basis which recognizes sovereign equality and mutual respect.

32. We should broaden our contacts with the non-establishment side of Philippine society—the youth, labor leaders, intellectuals, younger military leaders, that are working for change and will play an increasingly important role in shaping the destiny of this country.

*Summary*

33. The Philippines and the United States have a broad community of interests. As a new US administration takes over we must recognize that on the Philippine side this parallelism is imperfectly perceived. As the Philippines develops, however, there will be a growing recognition that our relations are not based merely on sentimental friendship and a patron-client dependency, but rather on a broader and more secure base of compatible, complementary, national interests and objectives. The strength of these ties make us optimistic for the future.

**Williams**

### 374. Telegram From the Embassy in the Philippines to the Department of State<sup>1</sup>

Manila, January 13, 1969, 1150Z.

396. Ref: (A) State 290585,<sup>2</sup> (B) State 276316,<sup>3</sup> (C) Manila 18293,<sup>4</sup> (D) Manila 17663,<sup>5</sup> (E) Manila 18996 NOTAL.<sup>6</sup> Subject: Territorial seas and innocent passage.

1. Pursuant to references A and B, I took the above subject matter up with the President at a meeting arranged to brief him on the findings of a joint committee on weather reporting.

2. As luck would have it, after we had all shaken hands in front of his desk, he asked me to retire with him to the couch and chair arrangement in the back of the room behind the pillars where Assistant Secretary Bundy and he had their last conference. When he did not raise any matter of substance right away, I took the opportunity to raise the territorial seas and people appeared to withdraw and permit us the opportunity of relatively secure conversation.

3. I began by saying that there appeared to be a matter on which our two governments seemed to have a serious difference of principle in which our views were shared by a number of the Philippines' best friends. Under these circumstances, I said, I thought it best to have a frank and friendly discussion to see whether some means could be found to avoid public confrontation.

4. I then said that the problem had two related aspects: (A) the Philippines archipelago claim on territorial seas which we have never recognized and have so advised the Philippine Government officially, the last time in 1961; (B) the "right of innocent passage."

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<sup>1</sup> Source: National Archives and Records Administration, RG 59, Central Files 1967-69, POL 33-4 PHIL. Secret. Repeated to Canberra, Kuala Lumpur, London, Wellington, CINCPAC, and COMNAVPHIL.

<sup>2</sup> In telegram 290585 to Manila, December 20, the Department of State clarified its guidelines for a discussion with Marcos about the Philippines' position on the archipelago theory and the right of innocent passage. (Ibid.)

<sup>3</sup> See footnote 6, Document 372.

<sup>4</sup> In telegram 18293 from Manila, December 12, the Embassy responded to telegram 276316 with the suggestion that the United States should avoid controversy and confrontation with the Philippines over the issue of innocent passage and try to raise its concerns in a multilateral context. (National Archives and Records Administration, RG 59, Central Files 1967-69, POL 33-4 PHIL)

<sup>5</sup> In telegram 17663 from Manila, November 19, Williams reported a discussion he had that day with the Australian Ambassador on the Philippines' position on innocent passage. (Ibid.)

<sup>6</sup> In telegram 18996 from Manila, December 30, the Embassy suggested that to avoid giving the impression that the United States supported Malaysia in the Sabah dispute and to prevent offending Marcos, another SEATO member, such as Britain, take the lead in protesting the Philippines' decision to deny innocent passage. (Ibid.)

5. I then made reference to the Malacanang press release dated December 23 which quoted the aide-mémoire to the British to the effect that “armed foreign public vessels . . . cannot assert or exercise the so-called right of innocent passage through the Philippine territorial sea without the permission of the Philippine Government.” I said, “As you know, it is the position of the United States Government that the right of innocent passage is firmly established under international law and that my government believes it is of the greatest importance that this right be maintained. We recognize that the Philippine Government is not a party to the convention on territorial seas but that it is our view that this convention still sets forth established principles of customary international law in this area.”

6. Then I stated that the USG has always supported the right of innocent passage and that it is even more important today. I said that to accept the denial of the right of innocent passage could in our view create a precedent for similar action in other parts of the world, such as the Straits of Gibraltar. Furthermore, I said, “Were we to acquiesce in such claims, denying naval access to large sea areas of the world, it would seriously affect the strategic interest of the United States, its allies, and the free world, and we believe would be inconsistent with the overall strategic interests of the Philippines itself. It is for this reason that we feel we must in all friendship raise these issues with you at this time.”

7. Next I recognized that because of our agreements there was no question of right of innocent passage between us but that the public statement made by the Philippine Government places us in a difficult position. Further, I said, “Both of us are aware that a number of our mutual friends—Britain, Australia, New Zealand—share our views on the importance of maintaining the right of innocent passage.” Then I said “Is there any way to resolve the issue quietly—would the President consider retracting the press statement? Would he consider holding back on enforcement?”

8. The President followed my presentation closely and responded agreeably. He recognized that a serious problem was posed and intimated that it was not of his making. He said that this of course was something that the legislature had done.

9. He said he would like time to think it over but that probably two panels could be set up to review the matter quietly.

10. We ultimately broke off with the idea that he would consider the matter further.

11. From what he said, and his demeanor, I got the impression that he had no intention of pushing this matter to a confrontation but that as of the moment he had no particular solution in mind that would avoid the confrontation, although I think he would be agreeable to finding or accepting one.

12. The President made no response to my question as to whether he would consider retracting the press statement, and, as I have previously indicated, I don't think that this would be politically feasible for him to attempt. He also did not refer directly to the matter of enforcement, but as I have already indicated, I would not think that he would go out of his way to enforce or say he would enforce these provisions unless he were forced into doing so.

**Williams**



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